



OHIO AUDITOR OF STATE
KEITH FABER



**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2025**

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**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2025**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Ashtabula Area City School District
Ashtabula County
541 West 34th Street
Ashtabula, Ohio 44004

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited 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 (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, Ashtabula County, Ohio as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2025, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2026, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026

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Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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, 2025. 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 2025 are as follows:

- Total net position of governmental activities increased \$1,723,329 from restated 2024 net position.
- The District's high school was severely damaged on December 1, 2024 during a roof collapse. This resulted in an impairment on the high school totaling \$26,110,640 in fiscal year 2025. Also in fiscal year 2025, the District received insurance recoveries totaling \$28,043,503. This resulted in an extraordinary item – net gain on high school roof collapse of \$1,932,863.
- For the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. As a result of the implementation of this standard, effective June 30, 2024, the District adjusted compensated absences for governmental type activities. See Note 3 for additional information.
- Total general revenues and other sources equaled \$45,104,243 and accounted for the majority of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$9,014,456 of total revenues.
- The District had \$54,328,233 in expenses related to governmental activities; \$9,014,456 of these expenses was offset by program specific charges for services and operating grants and contributions.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$39,220,120, an increase of \$26,835,394 in comparison with the prior year.

Using this Annual Financial Report

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

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

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

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

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 2025?" The *Statement of Net Position* and *the Statement of Activities* answers this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Position* and the *Statement of Activities*, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The presentation of the District's major funds begins on page 20. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Debt Service Fund, and the Replacement Fund.

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

Governmental Funds

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

Proprietary Funds

Proprietary funds use the accrual basis of accounting, the same as on the government-wide statements.

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, 2025 compared to June 30, 2024, as previously reported.

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

**Table 1
Net Position**

	Governmental Activities 2025	Governmental Activities 2024
Assets:		
Current assets	\$ 61,552,955	\$ 38,967,918
Net OPEB asset	2,089,927	2,460,492
Capital assets, net	<u>79,172,290</u>	<u>105,921,251</u>
Total assets	<u>142,815,172</u>	<u>147,349,661</u>
Deferred outflows of resources:		
Deferred charge on refunding	21,699	25,316
Pension	5,544,029	6,950,306
OPEB	<u>1,534,490</u>	<u>1,900,680</u>
Total deferred outflows of resources	<u>7,100,218</u>	<u>8,876,302</u>
Liabilities:		
Current liabilities	7,160,227	9,318,921
Long term liabilities:		
Due within one year	3,617,967	2,578,583
Due in more than one year:		
Net pension liability	28,153,470	35,881,380
Net OPEB liability	1,406,117	2,648,722
Other liabilities	<u>16,417,234</u>	<u>16,003,217</u>
Total liabilities	<u>56,755,015</u>	<u>66,430,823</u>
Deferred inflows of resources:		
Property taxes	13,950,124	12,911,072
Pension	7,660,488	3,825,695
OPEB	<u>4,298,437</u>	<u>4,541,890</u>
Total deferred inflows of resources	<u>25,909,049</u>	<u>21,278,657</u>
Net position:		
Net investment in capital assets	65,155,011	87,986,043
Restricted	11,536,203	13,589,526
Unrestricted	<u>(9,439,888)</u>	<u>(33,059,086)</u>
Total net position	<u>\$ 67,251,326</u>	<u>\$ 68,516,483</u>

The District follows Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

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 \$67,251,326 at the close of the most recent fiscal year.

The main source of the decrease in assets was due to the write down of the high school, due to the roof collapse, which was offset by an increase in equity in pooled cash and cash equivalents as the District received insurance proceeds related to the high school claim.

The most significant change in deferred inflows and deferred outflows were caused by changes in the pension system. This caused deferred inflows to increase and deferred outflows and pension liabilities to decrease.

Fluctuations in net pension/OPEB liability/asset for the District are due to changes in the retirement systems unfunded liabilities that are passed through to the District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and net pension/OPEB liability/asset and are described in more detail in their respective notes.

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

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

Table 2
Changes in Net Position

	Governmental Activities 2025	Governmental Activities 2024
Revenues:		
Program revenues:		
Charges for services	\$ 447,881	\$ 571,545
Operating grants and contributions	<u>8,566,575</u>	<u>7,588,760</u>
Total program revenues	<u>9,014,456</u>	<u>8,160,305</u>
General revenues:		
Property taxes	15,166,288	15,979,534
Grants and entitlements	28,974,085	42,622,050
Investment earnings	665,122	586,672
Miscellaneous revenue	<u>298,748</u>	<u>89,288</u>
Total general revenues	<u>45,104,243</u>	<u>59,277,544</u>
Total revenues	<u>54,118,699</u>	<u>67,437,849</u>
Program expenses:		
Instruction	24,772,570	28,091,290
Support services	24,019,457	21,079,507
Operations of non-instructional services	3,634,065	3,754,585
Extracurricular activities	775,813	876,598
Facilities acquisition and construction	907,466	710,056
Interest and fiscal charges	<u>218,862</u>	<u>240,972</u>
Total program expenses	<u>54,328,233</u>	<u>54,753,008</u>
Change in net positions before extraordinary item	(209,534)	12,684,841
Extraordinary item – net gain on high school roof collapse	<u>1,932,863</u>	<u>-</u>
Change in net position	1,723,329	12,684,841
Net positions at beginning of year, as previously stated	68,516,483	55,831,642
Restatement - Note 3	<u>(2,988,486)</u>	<u>-</u>
Net position at beginning of year, restated	<u>65,527,997</u>	<u>55,831,642</u>
Net position at end of year	<u>\$ 67,251,326</u>	<u>\$ 68,516,483</u>

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

Effects of GASB 68 and GASB 75

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

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 2025 is \$417,408, while in 2024 pension expense was \$2,607,627. The District was required to contribute \$2,904,248 and \$2,927,042 during 2025 and 2024, respectively.

Under GASB 75, OPEB expense represents additional amounts earned based on a proportionate share of the OPEB fund liability adjusted by a corresponding proportionate share of deferred outflows and inflows. Under GASB 75, the OPEB expense for 2025 is \$(653,059), while in 2024 OPEB expense was \$(279,845). The District was required to contribute \$96,244 and \$96,731 during 2025 and 2024, respectively.

Governmental Activities

Net position of the District's governmental activities increased by \$1,723,329. Program revenues of \$9,014,456 and general revenues of \$45,104,243 were unable to provide for total governmental expenses of \$54,328,233. The District received insurance recoveries totaling \$28,043,503 which were offset by an impairment loss \$26,110,640, resulting in an extraordinary item – net gain on high school roof collapse of \$1,932,863.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent approximately 97% of total governmental revenue.

Instruction and support services make up 90% of governmental program expenses. The largest program expense relates to regular instruction, which decreased \$1.4 million in the current year primarily due to a decrease in pension expense related to GASB 68. There was also an increase of \$2.1 million in operation and maintenance of plant expenses as the District incurred additional expense related to the high school roof collapse.

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 2025 and 2024. 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, 2025

Table 3
Governmental Activities

	<u>Total Cost of</u> <u>Services 2025</u>	<u>Net Cost of</u> <u>Services 2025</u>	<u>Total Cost of</u> <u>Services 2024</u>	<u>Net Cost of</u> <u>Services 2024</u>
Program expenses:				
Instruction	\$ 24,772,570	\$ 18,726,987	\$ 28,091,290	\$ 22,991,503
Support services	24,019,457	24,002,098	21,079,507	21,033,030
Operations of non-instructional services	3,634,065	743,261	3,754,585	834,578
Extracurricular activities	775,813	715,103	876,598	782,564
Facilities acquisition and construction	907,466	907,466	710,056	710,056
Interest and fiscal charges	<u>218,862</u>	<u>218,862</u>	<u>240,972</u>	<u>240,972</u>
Total program expenses	\$ <u>54,328,233</u>	\$ <u>45,313,777</u>	\$ <u>54,753,008</u>	\$ <u>46,592,703</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 over 97% of 2025 governmental activities are supported by these revenues. Therefore, the District’s taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

The District’s Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55,980,617, expenditures of \$57,441,506 and net other financing sources of \$28,296,283. The net change in fund balance for the year was most significant in the Replacement Fund as the fund received \$28,043,503 in insurance recoveries.

The General Fund decreased by \$976,537 due to transfers to nonmajor governmental funds. The decrease in the general fund was offset by an increase in and nonmajor governmental funds. The debt service fund decreased due to debt payments.

General Fund Budget Information

The District’s budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2025, 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 \$66,185 more than the original budget estimates of \$43,650,830, due to an increase in intergovernmental revenues. Actual revenues, including other financing sources, were lower than final budgeted revenues due to a decrease in intergovernmental revenues. Final appropriations, including other financing uses was \$3,628,255 more than the original budget estimates of \$41,650,190 due to increases in all expenditures, with the majority relating to instruction and support service expenditures. Actual expenditures, including other financing uses were \$1,554,784 less than final appropriations due to decreases in instruction and support service expenditures.

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

Capital Assets

At the end of fiscal year 2025 the District had \$79,172,290 invested in land, construction in progress, land improvements, buildings, furniture and equipment, vehicles, and right to use assets. Table 4 shows fiscal year 2025 balances compared to 2024. The majority of the decrease was the result of the write down of the high school due to the roof collapse.

Table 4
Governmental Activities
Capital Assets at June 30
 (Net of Accumulated Depreciation and Amortization)

	<u>2025</u>	<u>2024</u>
Land	\$ 1,543,136	\$ 1,543,136
Construction in progress	508,973	11,385,028
Land improvements	1,806,398	1,915,537
Buildings	69,934,112	85,673,111
Furniture and equipment	3,120,994	2,977,810
Vehicles	1,994,974	2,214,874
Right to use assets	<u>263,703</u>	<u>211,755</u>
Totals	\$ <u>79,172,290</u>	\$ <u>105,921,251</u>

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

Debt

At June 30, 2025, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Bonds at Year-End

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
General obligation bonds:		
Serial bonds	\$ <u>13,340,000</u>	\$ <u>15,435,000</u>
Total	\$ <u>13,340,000</u>	\$ <u>15,435,000</u>

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

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

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.

O.R.C. §5705.391 and O.A.C. 3301-92-04 require the District to submit a five-year forecast of operational revenues and expenditures along with its assumptions to the Ohio Department of Education and Workforce prior to November 30th of each fiscal year and then update the forecast between April 1st and May 31st of each fiscal year. Responsibility for the preparation of the forecast rests with the School Board and the Treasurer/CFO. The forecast is used to ensure the District does not enter into any contract that it cannot demonstrate its ability to pay for over the life of the contract. A district's five-year forecast also enables the School Board to estimate the timing and amounts of necessary operating levies. In response to the forecast, where negative cash was projected for fiscal years 2025-2027, expenditure reductions of approximately \$5 million were authorized by the School Board over the past two years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 541 West 34th Street, Ashtabula, Ohio 44004, or telephone (440) 992-1210.

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Ashtabula Area City School District

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 38,826,883
Accounts receivable	4,788,247
Accrued interest receivable	74,116
Intergovernmental receivable	1,741,444
Materials and supplies inventory	124,878
Prepays	145,575
Property taxes receivable	15,851,812
Net OPEB asset	2,089,927
Non-depreciable capital assets	2,052,109
Depreciable capital assets, net	77,120,181
Total assets	<u>142,815,172</u>
Deferred outflows of resources:	
Deferred charges on refunding	21,699
Pension	5,544,029
OPEB	1,534,490
Total deferred outflows of resources	<u>7,100,218</u>
Liabilities:	
Accounts payable	1,002,285
Accrued wages and benefits	2,751,304
Accrued interest payable	21,267
Intergovernmental payable	878,918
Matured compensated absences	198,453
Claims payable	2,308,000
Long-term liabilities:	
Due within one year	3,617,967
Due in more than one year:	
Net pension liability	28,153,470
Net OPEB liability	1,406,117
Other amounts due in more than one year	16,417,234
Total liabilities	<u>56,755,015</u>
Deferred inflows of resources:	
Property taxes	13,950,124
Pension	7,660,488
OPEB	4,298,437
Total deferred inflows of resources	<u>25,909,049</u>

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Net Position (continued)

June 30, 2025

	Governmental Activities
Net position:	
Net investment in capital assets	65,155,011
Restricted for:	
OPEB Asset	2,089,927
Capital projects	1,488,187
Debt service	7,330,028
Other purposes	628,061
Unrestricted	(9,439,888)
Total net position	\$ <u><u>67,251,326</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2025

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Instruction:				
Regular education	\$ 14,619,761	\$ 323,649	\$ 1,481,396	\$ (12,814,716)
Special education	9,767,393	-	4,240,538	(5,526,855)
Vocational education	92,850	-	-	(92,850)
Adult/continuing education	31,743	-	-	(31,743)
Other instruction	260,823	-	-	(260,823)
Support services:				
Pupil	3,447,652	-	-	(3,447,652)
Instructional staff	1,910,583	-	-	(1,910,583)
Board of education	234,048	-	-	(234,048)
Administration	2,261,242	-	-	(2,261,242)
Fiscal	1,474,854	-	-	(1,474,854)
Business	959,429	-	-	(959,429)
Operation and maintenance of plant	8,619,046	-	-	(8,619,046)
Pupil transportation	4,719,735	5,412	-	(4,714,323)
Central	392,868	-	11,947	(380,921)
Operation of non-instructional services:				
Food service	2,638,276	58,110	2,273,956	(306,210)
Community services	894,020	-	558,738	(335,282)
Other operation of non-instruction services	4,511	-	-	(4,511)
Shared services	97,258	-	-	(97,258)
Extracurricular activities	775,813	60,710	-	(715,103)
Facilities acquisitions and construction services	907,466	-	-	(907,466)
Interest and fiscal charges	218,862	-	-	(218,862)
Total governmental activities	<u>\$ 54,328,233</u>	<u>\$ 447,881</u>	<u>\$ 8,566,575</u>	<u>(45,313,777)</u>
General revenues:				
Property and other taxes levied for:				
General purpose				12,012,526
Debt service				1,591,828
Capital outlay				1,364,708
Capital maintenance				197,226
Grant and entitlements not restricted to specific programs				28,974,085
Investments income				665,122
Miscellaneous revenue				298,748
Total general revenues				<u>45,104,243</u>
Change in net position before extraordinary item				(209,534)
Extraordinary item - net gain on high school roof collapse				<u>1,932,863</u>
Change in net position				1,723,329
Net position at beginning of year, restated (Note 3)				<u>65,527,997</u>
Net position at end of year				<u>\$ 67,251,326</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Balance Sheet Governmental Funds

June 30, 2025

	General	Debt Service	Replacement	Non-major Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 5,566,164	\$ 7,149,500	\$ 21,120,073	\$ 2,337,099	\$ 36,172,836
Taxes receivable	12,666,274	1,575,889	-	1,609,649	15,851,812
Accounts receivable	-	-	4,667,112	-	4,667,112
Accrued interest receivable	74,116	-	-	-	74,116
Intergovernmental receivable	916,242	-	-	825,202	1,741,444
Interfund receivable	579,772	-	-	-	579,772
Prepays	-	-	-	99,102	99,102
Materials and supplies inventory	98,005	-	-	26,873	124,878
Total assets	<u>\$ 19,900,573</u>	<u>\$ 8,725,389</u>	<u>\$ 25,787,185</u>	<u>\$ 4,897,925</u>	<u>\$ 59,311,072</u>
Liabilities, deferred inflows of resources and fund balances:					
Liabilities:					
Accounts payable	\$ 200,995	\$ -	\$ 313,047	\$ 277,021	\$ 791,063
Accrued wages and benefits	2,326,674	-	-	424,630	2,751,304
Intergovernmental payable	826,417	-	-	52,501	878,918
Matured compensated absences	198,453	-	-	-	198,453
Interfund payable	-	-	-	579,772	579,772
Total liabilities	<u>3,552,539</u>	<u>-</u>	<u>313,047</u>	<u>1,333,924</u>	<u>5,199,510</u>
Deferred inflows of resources:					
Property taxes	11,164,383	1,374,094	-	1,411,647	13,950,124
Unavailable revenue	764,175	83,715	-	93,428	941,318
Total deferred inflows of resources	<u>11,928,558</u>	<u>1,457,809</u>	<u>-</u>	<u>1,505,075</u>	<u>14,891,442</u>
Fund balances:					
Nonspendable	98,005	-	-	125,975	223,980
Restricted	11,000	7,267,580	-	1,794,654	9,073,234
Committed	-	-	25,474,138	148,600	25,622,738
Assigned	1,097,918	-	-	-	1,097,918
Unassigned (deficit)	3,212,553	-	-	(10,303)	3,202,250
Total fund balances	<u>4,419,476</u>	<u>7,267,580</u>	<u>25,474,138</u>	<u>2,058,926</u>	<u>39,220,120</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,900,573</u>	<u>\$ 8,725,389</u>	<u>\$ 25,787,185</u>	<u>\$ 4,897,925</u>	<u>\$ 59,311,072</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

June 30, 2025

Total governmental funds balances \$ 39,220,120

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. 79,172,290

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$ 816,325	
Intergovernmental	74,865	
Investment income	50,128	
Total	<u>941,318</u>	941,318

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. 302,433

Long-term liabilities are not due and payable in the current period and are, therefore, not reported in the funds.

General obligation serial bonds	(13,723,987)	
Subscription payable	(22,775)	
Lease payable	(179,722)	
Compensated absences payable	(6,108,717)	
Accrued interest payable	(21,267)	
Total	<u>(20,056,468)</u>	(20,056,468)

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. 21,699

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

June 30, 2025

The net pension liability and net OPEB liability/asset are not due in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Deferred outflows – pension	5,544,029	
Deferred inflows – pension	(7,660,488)	
Net pension liability	(28,153,470)	
Net OPEB asset	2,089,927	
Deferred outflows – OPEB	1,534,490	
Deferred inflows – OPEB	(4,298,437)	
Net OPEB liability	<u>(1,406,117)</u>	
Total		<u>(32,350,066)</u>
Net position of governmental activities		\$ <u><u>67,251,326</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

	General	(Formerly Major) ESSER	Debt Service	Replacement	Non-major Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 11,901,398		\$ 1,580,392	\$ -	\$ 1,547,927	\$ 15,029,717
Intergovernmental	28,399,039		353,134	-	10,824,745	39,576,918
Tuition and fees	321,849		-	-	-	321,849
Investment earnings	225,193		247,658	142,428	8,074	623,353
Extracurricular activities	392		-	-	60,318	60,710
Classroom materials and fees	7,212		-	-	58,110	65,322
Miscellaneous revenue	130,504		-	-	172,244	302,748
Total revenues	<u>40,985,587</u>		<u>2,181,184</u>	<u>142,428</u>	<u>12,671,418</u>	<u>55,980,617</u>
Expenditures:						
Current:						
Instruction:						
Regular education	12,812,196		-	496,363	880,392	14,188,951
Special education	6,984,203		-	-	2,808,735	9,792,938
Vocational education	98,109		-	-	-	98,109
Adult/continuing education	-		-	-	31,743	31,743
Other instruction	102,788		-	-	126,849	229,637
Support services:						
Pupil	3,438,610		-	-	175,935	3,614,545
Instructional staff	516,549		-	-	1,350,921	1,867,470
Board of education	234,538		-	-	-	234,538
Administration	2,311,190		-	-	-	2,311,190
Fiscal	1,085,326		32,408	324,520	31,999	1,474,253
Business	1,078,998		-	-	-	1,078,998
Operation and maintenance of plant	6,137,974		-	1,543,598	1,343,250	9,024,822
Pupil transportation	4,320,903		-	-	89,115	4,410,018
Central	348,383		-	-	190,543	538,926
Operation of non-instruction services:						
Food service	-		-	-	2,477,672	2,477,672
Community services	42,335		-	-	849,871	892,206
Shared services	-		-	-	116,567	116,567
Extracurricular activities	490,334		-	-	182,738	673,072
Capital outlay	904,774		-	347,312	615,601	1,867,687
Debt services:						
Principal	141,556		2,095,000	-	-	2,236,556
Interest and fiscal charges	12,207		269,401	-	-	281,608
Total expenditures	<u>41,060,973</u>		<u>2,396,809</u>	<u>2,711,793</u>	<u>11,271,931</u>	<u>57,441,506</u>
Excess of revenues (under) over expenditures	<u>(75,386)</u>		<u>(215,625)</u>	<u>(2,569,365)</u>	<u>1,399,487</u>	<u>(1,460,889)</u>

(continued)

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

	General	(Formerly Major) ESSER	Debt Service	Replacement	Non-major Governmental Funds	Total Governmental Funds
Other financing sources (uses):						
Inception of lease	252,780		-	-	-	252,780
Insurance recoveries	-		-	28,043,503	-	28,043,503
Transfers – in	-		-	-	1,153,931	1,153,931
Transfers – out	(1,153,931)		-	-	-	(1,153,931)
Total other financing sources (uses)	<u>(901,151)</u>		<u>-</u>	<u>28,043,503</u>	<u>1,153,931</u>	<u>28,296,283</u>
Net change in fund balance	(976,537)		(215,625)	25,474,138	2,553,418	26,835,394
Fund balance (deficit), beginning of year as previously reported	5,396,013	\$ (1,772,086)	7,483,205	-	1,277,594	12,384,726
Adjustment - changes in major funds	-	<u>1,772,086</u>	-	-	<u>(1,772,086)</u>	-
Fund balance (deficit), beginning of year as adjusted	<u>5,396,013</u>	<u>-</u>	<u>7,483,205</u>	<u>-</u>	<u>(494,492)</u>	<u>12,384,726</u>
Fund balance at end of year	<u>\$ 4,419,476</u>	<u>\$ -</u>	<u>\$ 7,267,580</u>	<u>\$ 25,474,138</u>	<u>\$ 2,058,926</u>	<u>\$ 39,220,120</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

Net change in fund balances – total governmental funds \$ 26,835,394

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and deprecation differed in the current period.

Capital outlay	\$	2,657,891	
Depreciation		(2,937,949)	
Total			(280,058)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. (26,468,903)

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		136,571	
Intergovernmental		(2,036,258)	
Investment income		41,769	
Total			(1,857,918)

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.

Lease payable		81,522	
Subscription payable		60,034	
Bonds		2,095,000	
Total			2,236,556

Other financing sources in the Governmental Funds increase long term liabilities in the Statement of Net Position.

Subscription payable			(252,780)
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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, 2025

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.

Amortization of premium	63,997	
Amortization of loss on refunding	(3,617)	
Asset retirement obligation	40,304	
Interest expense	2,366	
Compensated absences	(552,992)	
Total		(449,942)

Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	2,904,248	
OPEB	96,244	
Total		3,000,492

Except for amounts reported as deferred outflows/inflows, changes in net pension liability and net OPEB asset/liability are reported as pension and OPEB expense in the Statement of Activities.

Pension	(417,408)	
OPEB	653,059	
Total		235,651

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.

		(1,275,163)
Change in net position of governmental activities	\$	<u>1,723,329</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 12,651,319	\$ 12,651,319	\$ 12,651,319	\$ -
Intergovernmental	28,640,251	28,701,398	27,795,844	(905,554)
Tuition and fees	337,203	337,923	327,261	(10,662)
Earnings on investments	297,998	298,634	289,212	(9,422)
Classroom materials and fees	3,513	3,521	3,410	(111)
Miscellaneous revenue	124,233	124,498	120,570	(3,928)
Total revenues	<u>42,054,517</u>	<u>42,117,293</u>	<u>41,187,616</u>	<u>(929,677)</u>
Expenditures:				
Current:				
Instruction:				
Regular education	11,779,481	12,805,620	12,365,898	439,722
Special education	6,821,617	7,415,865	7,161,217	254,648
Vocational education	92,512	100,571	97,118	3,453
Other instruction	124,798	135,670	131,011	4,659
Support services:				
Pupil	3,372,518	3,666,307	3,540,412	125,895
Instructional staff	512,265	556,890	537,767	19,123
Board of education	402,404	437,459	422,437	15,022
Administration	2,200,075	2,391,729	2,309,601	82,128
Fiscal	1,073,218	1,166,709	1,126,646	40,063
Business	930,926	1,012,021	977,270	34,751
Operation and maintenance of plant	5,997,728	6,520,206	6,296,313	223,893
Pupil transportation	4,564,993	4,962,661	4,792,252	170,409
Central	257,015	279,404	269,810	9,594
Operation of non-instructional services:				
Community services	52,007	56,537	54,596	1,941
Extracurricular activities	459,646	499,687	482,529	17,158
Capital outlay	919,505	999,606	965,281	34,325
Total expenditures	<u>39,560,708</u>	<u>43,006,942</u>	<u>41,530,158</u>	<u>1,476,784</u>
Excess of revenues over (under) expenditures	<u>2,493,809</u>	<u>(889,649)</u>	<u>(342,542)</u>	<u>547,107</u>
Other financing sources (uses):				
Transfers – out	(1,534,401)	(1,668,067)	(1,610,788)	57,279
Advances – in	1,596,313	1,599,722	1,549,249	(50,473)
Advances – out	(555,081)	(603,436)	(582,715)	20,721
Total other financing sources (uses)	<u>(493,169)</u>	<u>(671,781)</u>	<u>(644,254)</u>	<u>27,527</u>
Net change in fund balance	2,000,640	(1,561,430)	(986,796)	574,634
Fund balance at beginning of year	4,393,698	4,393,698	4,393,698	-
Prior year encumbrances appropriated	<u>1,028,740</u>	<u>1,028,740</u>	<u>1,028,740</u>	<u>-</u>
Fund balance at end of year	<u>\$ 7,423,078</u>	<u>\$ 3,861,008</u>	<u>\$ 4,435,642</u>	<u>\$ 574,634</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Fund Net Position Proprietary Funds

June 30, 2025

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,654,047
Accounts receivable	121,135
Prepays	46,473
Total assets	<u>2,821,655</u>
Liabilities:	
Accounts payable	211,222
Claims payable	2,308,000
Total liabilities	<u>2,519,222</u>
Net position:	
Unrestricted	\$ <u><u>302,433</u></u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

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

For Fiscal Year Ended June 30, 2025

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 8,548,539
Miscellaneous	60,778
Total operating revenues	<u>8,609,317</u>
Operating expenses:	
Claims	9,763,005
Fiscal	14,250
Purchased services	107,225
Total operating expenses	<u>9,884,480</u>
Change in net position	(1,275,163)
Total net position at beginning of year	<u>1,577,596</u>
Total net position at end of year	<u>\$ 302,433</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2025

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other funds	\$ 9,176,164
Cash payments for claims and contractual services	<u>(10,204,098)</u>
Net cash used by operating activities	<u>(1,027,934)</u>
Net decrease in cash and cash equivalents	(1,027,934)
Cash and cash equivalents at beginning of year	<u>3,681,981</u>
Cash and cash equivalents at end of year	<u>\$ 2,654,047</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,275,163)
Adjustments:	
Change in assets:	
Decrease in accounts receivable	566,847
Decrease in prepaid items	14,280
Changes in liabilities:	
Decrease in accounts payable	(350,898)
Increase in claims payable	<u>17,000</u>
Net cash used by operating activities	<u>\$ (1,027,934)</u>

The accompanying notes are an integral part of these financial statements

Ashtabula Area City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2025

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. The District provide services to approximately 2,700 students. The District employed 142 classified and classified administrators and 214 teachers, tutors and certified administrators.

Note 2: Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

The District is associated with four organizations, which are defined as jointly governed organizations and a related organization.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

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 multiple 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 \$46,272 to NEOMIN during fiscal year 2025.

Superintendents of the participating districts are eligible to be voting members of the Governing Board, which consists of 10 members: the Trumbull and Ashtabula County Educational Service Center's Superintendents (permanent members), three Superintendents from Ashtabula County School Districts, three Superintendents from Trumbull County School Districts, and a Treasurer from each county. The degree of control exercised by any participating district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Ashtabula County Educational Service Center (ACESC)

ACESC is a jointly governed organization among eight school districts in the Ashtabula County School Financing District (ACSFD). The jointly governed organization was formed for the purpose of passing a levy in order to provide special education and related services within the territory of the ACSFD. ACESSC is operated under the direction of a Committee consisting of representatives from some of the participating districts' treasurers and superintendents. Each district's degree of control is limited to its representation on the Committee. ACESSC is its own budgeting and taxing authority. Each of the districts supports ACESSC based upon a 3% administrative fee. The District also uses ACESSC for other purchased services. Financial information can be obtained from Tracy Derylak, ACESSC, 2630 West 13th Street, Suite A, Ashtabula, Ohio 44004.

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 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 district's degree of control is limited to its representation on the Governing Board. The SST is its own budgeting and taxing authority. The District made no contributions for fiscal year 2025.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations (continued)

State Support Team (SST) - Region 5 (continued)

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. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 7320 North Palmyra Road, Canfield, Ohio 44406.

Ashtabula County Technical & Career Center

The Ashtabula County Technical & Career Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of representatives from some of the participating districts' elected boards. Each district's degree of control is limited to its representation on the Governing Board. The Board is its own budgeting and taxing authority. The District also contracts with A-Tech for the Able/English Language Learners program. In fiscal year 2025 the District made payments of \$353,000 to A-Tech. Financial information can be obtained from Lindsey Elly, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Related Organization

Harbor-Topky Memorial Library

The Harbor-Topky Memorial Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District's Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Financial information can be obtained by contacting the Fiscal Officer at the Harbor-Topky Memorial Library at 1633 Walnut Blvd., Ashtabula, Ohio, 44004.

B. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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

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

Replacement Capital Projects Fund – This fund accounts for monies received and used in the rebuilding, restoration or improvement of the high school.

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

Proprietary Funds: Proprietary funds focus on the determination of operating income/loss, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The District has no enterprise funds. The following is a description of the District's internal service funds.

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

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The District does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The District's fiduciary fund is a custodial fund. The District's custodial fund is used to account for state tournaments. This fund had no activity in the current fiscal year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus

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

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from the custodial fund.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds and fiduciary funds also use the accrual basis of accounting.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7).

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue: Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned. The District does not have any unearned revenue at June 30, 2025.

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 assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide Statement of Net Position for deferred charges on refunding, pension, and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its acquisition price. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 13 and 14.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2025, but which were levied to finance fiscal year 2026 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, investment income, and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position, see Notes 13 and 14.

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

E. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control for the fund.

F. Cash and Investments

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements. During fiscal year 2025, investments were limited to money market accounts, STAR Ohio, and United States government securities.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and nonnegotiable certificates of deposits are reported at cost.

STAR Ohio (State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but the District has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. At June 30, 2025, the average days to maturity was 30.4 days. STAR Ohio carries a AAAM rating by Standard & Poor’s.

For the fiscal year 2025, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 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. Earnings on investments credited to the General Fund during the fiscal year amounted to \$225,193. The amount allocated from other funds during fiscal year 2025 amounted to \$40,442.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

H. Inventory

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The District maintains a capitalization threshold of \$5,000 for individual items. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

The District is reporting intangible right to use assets related to leases and subscription-based information technology arrangements (SBITA). These intangible assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences

The District recognizes liabilities for compensated absences, including personal, vacation, and sick leave based on the estimated amount of leave that is more likely than not to be used or otherwise settled. Personal and vacation pay is accrued and reported as a liability when earned by the District's employees. The District allows accumulation of days of sick leave, which can only be used in the event of an illness or paid out upon termination at 25% up to 85 days. Compensated absences generally do not have a set payment schedule. The District does not offer noncash settlements. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

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.

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 and other long-term obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Leases

As lessee, the District recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative payments on the contract exceed \$10,000 that meet the definition of an other than short-term lease. Short-term lease payments are expensed when incurred. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

M. Leases (continued)

As lessor, the District recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative payments on the contract exceed \$10,000 that meet the definition of an other than short-term lease. At the commencement of the lease, the District records a receivable and deferred inflow of the net present value of expected payments using a discount rate explicitly stated or implicit in the contract. Short-term lease receipts and variable lease receipts not included in the measurement of the lease receivable are recognized as income when earned.

N. Subscriptions

The District recognizes subscription-based information technology arrangements that have a term exceeding one year and payments on the contract exceed \$10,000. Short-term subscriptions are expensed as incurred. At the commencement of the subscription arrangement, the District initially measures the subscription liability at the present value of payments expected to be made during the term. The District uses a discount rate that is determined using the District's incremental borrowing rate at start of the subscription arrangement for a similar asset type and term length to the contract. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

O. Pensions/Other Postemployment Benefits (OPEB)

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

P. 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 and right to use assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and the SBITA and lease liability associated with the right to use 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, education programs, scholarships and other grants.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. As of June 30, 2025, the District did not have net position restricted by enabling legislation.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

Q. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually-required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or a District official delegated that authority by the District Board of Education. Through the District’s purchasing policy, the Board has given the Treasurer the authority to constrain monies for intended purposes.

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Summary of Significant Accounting Policies (continued)

Q. Fund Balance (continued)

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

R. 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 miscellaneous items and 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.

S. 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.

T. 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.

U. Extraordinary Item

An extraordinary item is a transaction that is both unusual in nature and infrequent in occurrence. See Note 12 for additional information.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 3: Change in Accounting Principle

Newly Adopted Accounting Pronouncements

For the fiscal year ended June 30, 2025, the District implemented the following Governmental Accounting Standard issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. The implementation of this standard required the District to evaluate types of paid leave that could be classified as compensated absences. This required the District to recalculate the associated liabilities at June 30, 2024. See the restatement portion of this note for related to impact to the District's net position.

GASB Statement No. 102, *Certain Risk Disclosures*, issued in December 2023, provides guidance to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The effective date of this standard is reporting periods beginning after June 15, 2024. The District implemented GASB Statement No. 102 during fiscal year 2025, and the pronouncement did not materially impact the District's financial statements.

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued in April 2024, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date of this standard is reporting periods beginning after June 15, 2025. The District intends to implement this standard in fiscal year 2026 and is evaluating the effect this Statement may have on the District's statements and disclosure requirements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued in September 2024, requires certain information regarding capital assets to be presented by major class. The effective date of this standard is reporting periods beginning after June 15, 2025. The District intends to implement this standard in fiscal year 2026 and is evaluating the effect this Statement may have on the District's statements and disclosure requirements.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 3: Change in Accounting Principle (continued)

Restatement

In the current fiscal year GASB 101 had the following effects on beginning net position and fund balance as reported as of June 30, 2024:

	<u>Governmental Activities</u>
Net position at June 30, 2024, as previously reported	\$ 68,516,483
Change in current portion of compensated absences	(749,440)
Change in noncurrent portion of compensated absences	<u>(2,239,046)</u>
Restated net position at June 30, 2024	\$ <u><u>65,527,997</u></u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

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>Replacement Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Inventory	\$ 98,005	\$ -	\$ -	\$ 26,873	\$ 124,878
Prepays	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,102</u>	<u>99,102</u>
Total nonspendable	<u>98,005</u>	<u>-</u>	<u>-</u>	<u>125,975</u>	<u>223,980</u>
Restricted for:					
Food service	-	-	-	14,630	14,630
Trust/scholarship	-	-	-	60,581	60,581
Community activities	-	-	-	34,735	34,735
Student activities	-	-	-	84,811	84,811
Auxiliary services	-	-	-	122,720	122,720
Debt service payments	-	7,267,580	-	-	7,267,580
Other purposes	11,000	-	-	275,149	286,149
Capital improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202,028</u>	<u>1,202,028</u>
Total restricted	<u>11,000</u>	<u>7,267,580</u>	<u>-</u>	<u>1,794,654</u>	<u>9,073,234</u>
Committed to:					
Capital improvements	<u>-</u>	<u>-</u>	<u>25,474,138</u>	<u>148,600</u>	<u>25,622,738</u>
Total committed	<u>-</u>	<u>-</u>	<u>25,474,138</u>	<u>148,600</u>	<u>25,622,738</u>
Assigned to:					
Purchases on order	1,079,557	-	-	-	1,079,557
Other purposes	<u>18,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,361</u>
Total assigned	<u>1,097,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,097,918</u>
Unassigned (deficit)	<u>3,212,553</u>	<u>-</u>	<u>-</u>	<u>(10,303)</u>	<u>3,202,250</u>
Total fund balances	<u>\$ 4,419,476</u>	<u>\$ 7,267,580</u>	<u>\$ 25,474,138</u>	<u>\$ 2,058,926</u>	<u>\$ 39,220,120</u>

Note 5: Accountability

The following funds had negative fund balances at June 30, 2025:

Non-Major Special Revenue Funds:

OCFS - Maintenance Fund	\$ 2,107
Classroom Reduction Fund	8,196

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 6: Deposits and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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 described in (1) or (2) provided 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 the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 (for a period not to exceed 180 days) and commercial paper notes (for a period not to exceed 270 days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 6: Deposits and Investments (continued)

8. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the bank balance of the District's deposits was \$8,082,085. At year-end none of the District's total bank balance was exposed to custodial credit risk. The District also has \$100 in petty cash on hand.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 6: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of June 30, 2025, the District had the following investments:

	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Federal Farm Credit Bank (FFCB)	\$ 899,199	\$ -	\$ 899,199
Federal Home Loan Bank (FHLB)	2,747,483	-	2,747,483
Federal Home Loan Mortgage Corporation (FHLMC)	300,267	-	300,267
Federal Agricultural Mortgage Corporation (FAMC)	599,496	-	599,496
Star Ohio	1,553,621	1,553,621	-
U.S. Treasury Bill	22,543,666	22,543,666	-
Money market	<u>2,190,982</u>	<u>2,190,982</u>	<u>-</u>
Total portfolio	<u>\$ 30,834,714</u>	<u>\$ 26,288,269</u>	<u>\$ 4,546,445</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 District has the following recurring fair value measurements as of June 30, 2025:

- FFCB, FHLB, FHLMC, FAMC, and U.S. Treasury Bills are measured based on Level 2 inputs, using matrix pricing.
- Star Ohio and the money market are valued at amortized cost, which approximates fair value.

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

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by the Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The money market is unrated. STAR Ohio carries a rating AAAM by Standard & Poor's. All other investments of the District are registered and carry a rating Aaa by Moody's.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 6: Deposits and Investments (continued)

Investments (continued)

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as 5% or more in the securities of a single issuer. The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2025:

	<u>Percentage of Investments</u>
Federal Farm Credit Bank	2.92%
Federal Home Loan Bank	8.91
Federal Home Loan Mortgage Corporation	0.97
Federal Agricultural Mtg Corp	1.94
Star Ohio	5.04
U.S. Treasury Bill	73.11
Money market	7.11

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 2025 represents collections of calendar year 2024 taxes. Real property taxes received in calendar year 2025 were levied after April 1, 2024, on the assessed value listed as of January 1, 2024. 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 2025 represents collections of calendar year 2024 taxes. Public utility real and tangible personal property taxes received in calendar year 2025 became a lien December 31, 2023, were levied after April 1, 2024, and are collected in 2025 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the County by June 30, 2025, are available to finance fiscal year 2025 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 7: Property Taxes (continued)

The assessed values of real and tangible personal property on which the 2025 taxes were collected were as follows:

	2024		2025	
	Second-Half Collections		First-Half Collections	
	Amount	Percent	Amount	Percent
Real property	\$ 529,766,250	89.98%	\$ 533,214,320	89.30%
Public utility personal property	58,964,880	10.02%	63,921,160	10.70%
Total assessed value	\$ <u>588,731,130</u>	<u>100.00%</u>	\$ <u>597,135,480</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.55		\$ 47.55	

Accrued property taxes receivables include real property and public utility taxes which are measurable as of June 30, 2025, 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, 2025, was \$854,513 in the General Fund, \$118,080 in the Bond Retirement Fund, \$98,441 in the Permanent Improvement Fund and \$14,329 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, 2025, consisted of taxes, accounts, intergovernmental, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables reported on the Statement of Net Position follows:

Governmental activities:

IDEA B	\$ 243,188
Expanding Opportunities for Each Child	2,955
Title V-B	276
Title I SSI	9,595
Title I-A	410,504
Title II-A	77,658
Title IV-A	12,236
Early Childhood Education	37,939
IDEA	1,912

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 8: Receivables (continued)

Ohio Department of Education	66,669
State of Ohio	192,521
School Employees Retirement System	14,365
USDA Breakfast and Lunch	28,939
Medicaid	<u>642,687</u>
Total governmental activities	\$ <u><u>1,741,444</u></u>

Note 9: Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
- (b) Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
- (c) Encumbrances are treated as expenditures (budget) rather than a restricted, committed, or assigned fund balance (GAAP).
- (d) To reclassify the net change in fund balance for funds combined with the General Fund for GASB Statement No. 54. Certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. These include the Termination Benefits Fund, the Uniform School Supplies Fund, the Public School Support Fund, Lakeside High School Guidance Fund, the Special Enterprise Fund, and the Underground Storage Tanks Fund.
- (e) Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

	<u>General</u>
GAAP basis	\$ (976,537)
Net adjustment for revenue accruals	(37,631)
Advances – in	1,549,249
Net adjustment for expenditure accruals	(401,692)
Advances – out	(582,715)
Adjustment for encumbrances	(1,103,115)
Funds budgeted elsewhere	<u>565,645</u>
Budget basis	\$ <u><u>(986,796)</u></u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 10: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	<u>Balance</u> <u>6/30/24</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/25</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,543,136	\$ -	\$ -	\$ 1,543,136
Construction in progress	<u>11,385,028</u>	<u>1,491,884</u>	<u>(12,367,939)</u>	<u>508,973</u>
Total capital assets, not being depreciated	<u>12,928,164</u>	<u>1,491,884</u>	<u>(12,367,939)</u>	<u>2,052,109</u>
Capital assets, being depreciated/amortized:				
Land improvements	3,223,321	51,842	-	3,275,163
Buildings	115,308,344	12,418,322	(36,911,125)	90,815,541
Furniture and equipment	5,283,999	707,670	(241,171)	5,750,498
Vehicles	4,198,108	103,332	(122,793)	4,178,647
Right to use asset – subscriptions	348,829	-	-	348,829
Right to use asset – furniture and equipment	<u>286,001</u>	<u>252,780</u>	<u>(286,001)</u>	<u>252,780</u>
Total capital assets, being depreciated/amortized:	<u>128,648,602</u>	<u>13,533,946</u>	<u>(37,561,090)</u>	<u>104,621,458</u>
Less accumulated depreciation/amortization:				
Land improvements	(1,307,784)	(160,981)	-	(1,468,765)
Buildings	(29,635,233)	(1,853,892)	10,607,696	(20,881,429)
Furniture and equipment	(2,306,189)	(399,012)	75,697	(2,629,504)
Vehicles	(1,983,234)	(323,232)	122,793	(2,183,673)
Right to use asset – subscriptions	(145,094)	(115,574)	-	(260,668)
Right to use asset – furniture and equipment	<u>(277,981)</u>	<u>(85,258)</u>	<u>286,001</u>	<u>(77,238)</u>
Total accumulated depreciation/ amortization	<u>(35,655,515)</u>	<u>(2,937,949)</u>	<u>11,092,187</u>	<u>(27,501,277)</u>
Capital assets being depreciated/amortized, net	<u>92,993,087</u>	<u>10,595,997</u>	<u>(26,468,903)</u>	<u>77,120,181</u>
Total capital assets, net	\$ <u>105,921,251</u>	\$ <u>12,087,881</u>	\$ <u>(38,836,842)</u>	\$ <u>79,172,290</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 10: Capital Assets (continued)

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 1,212,748
Special education	353,625
Other education	36,870

Support services:

Pupil	3,828
Instructional staff	57,049
Administration	66,350
Fiscal	4,554
Business	117,864
Operation and maintenance of plant	156,021
Pupil transportation	314,693
Central	29,190

Operation of non-instructional services:

Food service	137,616
Community services	9,175
Other	4,511

Extracurricular activities

129,537

Facilities and construction services

304,318

Total

\$ 2,937,949

Note 11: Long-Term Liabilities

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

	Restated Principal Outstanding 06/30/24	Additions	Reductions	Principal Outstanding 06/30/25	Amounts Due in One Year
Governmental activities:					
2020 Refunded OSFC construction bonds					
1.09% – 2.19% 12/01/2030	\$ 15,435,000	\$ -	\$ (2,095,000)	\$ 13,340,000	\$ 2,125,000
Premium on bonds	447,984	-	(63,997)	383,987	-
Net pension liability:					
SERS	8,637,009	-	(1,684,192)	6,952,817	-
STRS	27,244,371	-	(6,043,718)	21,200,653	-
Net OPEB liability:					
SERS	2,648,722	-	(1,242,605)	1,406,117	-
Lease payable*	8,464	252,780	(81,522)	179,722	83,815
Subscription payable*	82,809	-	(60,034)	22,775	22,775
Asset retirement obligation	40,304	-	(40,304)	-	-
Compensated absences^	<u>5,555,725</u>	<u>552,992</u>	<u>-</u>	<u>6,108,717</u>	<u>1,386,377</u>
Total governmental activities long-term liabilities	<u>\$ 60,100,388</u>	<u>\$ 805,772</u>	<u>\$ (11,311,372)</u>	<u>\$ 49,594,788</u>	<u>\$ 3,617,967</u>

*Direct placement

^ net compensated absences

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 11: Long-Term Liabilities (continued)

The refunded OSFC construction bonds will be paid from the Debt Service Fund. Lease payable will be paid from the General Fund. The subscriptions payable will be paid from the General Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 13 and 14.

Principal and interests requirements to retire the OSFC bonds outstanding at June 30, 2025 are as follows:

	<u>Total Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,125,000	\$ 239,217
2027	2,160,000	205,093
2028	2,200,000	166,291
2029	2,240,000	122,774
2030	2,285,000	75,477
2031	<u>2,330,000</u>	<u>25,514</u>
Total	<u>\$ 13,340,000</u>	<u>\$ 834,366</u>

In fiscal year 2020, the District issued \$20,665,000 in general obligation bonds and \$429,971 in capital appreciation bonds for the purpose of partially refunding the 2012 refunded general obligation bonds outstanding. The refunding bonds were sold at a premium of \$706,649 and resulted in a loss on refunding of \$39,935. \$21,478,511 was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the 2012 bonds. On December 1, 2020 the 2012 bonds were called and fully retired. The District decreased its total debt service payments by \$2,045,080 as a result of the refunding. The District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$1,854,244. The capital appreciation bonds were fully repaid during fiscal year 2022.

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2025, are a voted debt margin of \$47,646,998 and an unvoted debt margin of \$597,135.

The District has entered into agreements for copier equipment. The lease agreements are for 36 months and requires monthly payments. The agreements meet the definition of a lease under GASB Statement No. 87. A summary of the principal and interest amounts for the remaining lease is as follows:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 83,815	\$ 7,456
2027	88,334	2,937
2028	<u>7,573</u>	<u>33</u>
Total	<u>\$ 179,722</u>	<u>\$ 10,426</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 11: Long-Term Liabilities (continued)

In July 2024, the District entered into a three-year copier lease agreement. The agreement requires monthly payments of \$7,606.

The District has entered into agreements as a lessee for subscription-based information technology arrangements (SBITAs) which are considered right-to-use assets. A description of the District's subscription arrangements is as follows:

In July 2021, the District entered into a five-year subscription-based information technology arrangement. The agreement requires annual payments of \$2,250. The agreement is set to expire in June 2026.

In August 2022, the District entered into a three-year subscription-based information technology arrangement. The agreement requires annual payments of \$38,550. The agreement is set to expire in July 2025.

In July 2023, the District entered into a three-year subscription-based information technology arrangement. The agreement requires one payment of \$153,240. The agreement is set to expire in July 2026.

In January 2023, the District entered into a three-year subscription-based information technology arrangement. The agreement requires annual payments of \$20,611. The agreement is set to expire in July 2026.

A summary of the principal and interest amounts for the remaining subscription-based information technology arrangement is as follows:

	<u>Principal</u>	<u>Interest</u>
2026	\$ 22,775	\$ 85

Note 12: Risk Management

A. General Risk

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

Property (buildings and contents), boiler and machinery/equipment breakdown insurance, and commercial auto insurance, are provided through Love Insurance Agency. Blanket limit for the property insurance/equipment breakdown excluding the high school is \$163,358,806. The property deductible is \$25,000 and equipment breakdown deductible is \$25,000. These coverages are written through The Ohio School Plan.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 12: Risk Management (continued)

A. General Risk (continued)

As a result of record snowfall, the District's high school was severely damaged on December 1, 2024 during a roof collapse. Insurance coverage for the high school building is currently limited to \$2,500,000 per occurrence with a \$250,000 deductible. This coverage is written through Landmark American Insurance Company. In 2025, the District recorded an impairment on the high school totaling \$26,110,640. Also in fiscal year 2025, the District received insurance recoveries totaling \$28,043,503, which resulted in an extraordinary item – net gain on high school roof collapse of \$1,932,863.

For the commercial auto there is a combined single limit of \$11,000,000 per accident with \$2,500 comprehensive and \$2,500 collision deductibles. These coverages are also written through The Ohio School Plan. The renewal date is January 22, 2026.

The District maintains a variety of liability insurance coverages with varying deductibles. These include the following: General Liability Insurance with a \$11,000,000 combined single limit for bodily injury and property damages liability and Law Enforcement Liability with \$11,000,000 limit of liability. These coverages are written through The Ohio School Plan. The District also carries School Leaders Errors and Omission Liability with a \$2,000,000 limit through Indian Harbor Insurance Company. The renewal date for these coverages are also January 22, 2026.

B. Workers' Compensation

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

C. Health Insurance

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

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

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 12: Risk Management (continued)

C. Health Insurance (continued)

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 \$2,308,000 at June 30, 2025.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2025	\$ 2,291,000	\$ 10,113,903	\$ (10,096,903)	\$ 2,308,000
2024	1,737,000	10,782,146	(10,228,146)	2,291,000

Note 13: Pension Plans

A. Net Pension/OPEB Liability (Asset)

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

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

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

GASB 68 and 75 assumes the liability (asset) is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

A. Net Pension/OPEB Liability (Asset) (continued)

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability on the accrual basis of accounting. Funded benefits are presented as a long-term net pension/OPEB asset. Any liability for the contractually-required contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

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. SERS provides retirement, disability and survivor benefits, Medicare Part B premium reimbursements, and lump sum death benefits. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Members attaining 25 years of service after August 1, 2017
Full benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit Age 60 with 25 years of service credit

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. SERS’ Retirement Board approved a 2.5% COLA for calendar years 2022, 2023, 2024 and 2025.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

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

The defined benefit pension plan includes the Pension Benefits Plan, Death Benefit Fund and Medicare Part B Plan. The Death Benefit Fund pays \$1,000 to a designated beneficiary of a deceased retiree or disability benefit recipient as allowed under ORC Section 3309.50.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2025, the allocation to pension, death benefits, and Medicare B was 14.0% while the funding for Health Care Fund was 0.0%.

The District's contractually-required contribution to SERS was \$784,896 for fiscal year 2025.

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

Plan Description – District licensed teachers and other faculty members participate in STRS, a cost-sharing, multiple-employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be viewed by visiting www.strsoh.org or by requesting a copy by calling toll-free 888-227-7877.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. The calculation is 2.2% of final average salary for the five highest years of earnings multiplied by all years of credited service. Effective August 1, 2023, any member can retire with unreduced benefits with 34 years of services credit at any age; or five years of service credit and age 65. Effective June 1, 2025 - July 1, 2027, any member can retire with unreduced benefits with 33 years of service credit at any age; or five years of service credit and age 65. Effective on or after August 1, 2027, any member can retire with unreduced benefits with 34 years of service credit at any age; or five years of service credit and age 65.

In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3% of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Effective July 1, 2023, a permanent 1% COLA of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2024 as long as they retired prior to July 1, 2019.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits effective August 1, 2023, can retire with 29 years of service credit at any age; or five years of service credit and age 60. Effective June 1, 2025 - July 1, 2027, retirement eligibility for reduced benefits is 28 years of service credit at any age; or five years of service credit and age 60. Effective on or after August 1, 2027, retirement eligibility for reduced benefits is 29 years of service credit at any age; or five years of service credit and age 60.

The DC Plan allows members to place all their member contributions and 11.09% of the 14.00% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 2.91% of the 14.00% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or CO Plan member with five or more years of credited service, who is determined to be disabled, may qualify for a disability benefit. New members on or after July 1, 2023, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or CO Plans.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

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

Administrative Expenses – The costs of administering the DB and postemployment health care plans are financed by investment income. The administrative and investment costs of the DC Plan are financed by participant fees.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year 2025, the employer rate was 14% and the plan members were also required to contribute 14% of covered salary.

The District’s contractually required contribution to STRS was \$2,119,352 for fiscal year 2025. Of this amount \$354,668 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 liabilities were measured as of June 30, 2024. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of June 30, 2024. The District’s proportion of the net pension liabilities were based on a projection of its long-term share of contributions to the pension plans relative to the projected contributions of all participating reporting units, actuarially determined.

Following is information related to the proportionate share and pension expense at June 30, 2025:

	<u>SERS</u>	<u>STRS</u>	
Proportion of net pension liability prior measurement date	0.156311%	0.126512%	
Proportion of net pension liability current measurement date	<u>0.135914%</u>	<u>0.110181%</u>	
Change in proportionate share	<u>(0.020397%)</u>	<u>(0.016331%)</u>	
Proportionate share of the net pension liability	\$ 6,952,817	\$ 21,200,653	\$ 28,153,470
Pension expense (reduction)	\$ 626,828	\$ (209,420)	\$ 417,408

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

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

Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2025, 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>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 265,453	\$ 1,335,087	\$ 1,600,540
Change in assumptions	62,198	977,043	1,039,241
District contributions subsequent to the measurement date	<u>784,896</u>	<u>2,119,352</u>	<u>2,904,248</u>
Total deferred outflows of resources	\$ <u>1,112,547</u>	\$ <u>4,431,482</u>	\$ <u>5,544,029</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 11,609	\$ 11,609
Change in assumptions	-	735,432	735,432
Difference between projected and actual earnings on pension plan investments	434,895	1,822,825	2,257,720
Changes in proportionate share and difference between District contributions and proportionate share of contributions	<u>909,516</u>	<u>3,746,211</u>	<u>4,655,727</u>
Total deferred inflows of resources	\$ <u>1,344,411</u>	\$ <u>6,316,077</u>	\$ <u>7,660,488</u>

The District reported \$2,904,248 as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	\$ (687,703)	\$ (2,621,241)	\$ (3,308,944)
2027	100,062	1,107,103	1,207,165
2028	(301,237)	(1,376,927)	(1,678,164)
2029	<u>(127,882)</u>	<u>(1,112,882)</u>	<u>(1,240,764)</u>
Total	\$ <u>(1,016,760)</u>	\$ <u>(4,003,947)</u>	\$ <u>(5,020,707)</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: 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. Future benefits for all current plan members were projected through 2137.

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, 2024 are presented below:

Valuation date	June 30, 2024
Actuarial cost method	Entry age normal (level percent of payroll)
Actuarial assumptions:	
Investment rate of return	7.00%, net of investment expenses, including inflation
COLA or Ad Hoc COLA	2.00%, on or after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement.
Future salary increases, including inflation	3.25% to 13.58%
Inflation	2.40%

Mortality rates for the past two measurement periods were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five-year period ended June 30, 2020.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class for measurement year 2024 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Long-Term Real Rate of Return (geometric)</u>
Cash	3.00%	0.97%
US equity	22.00	4.68
Non-US equity developed	12.00	4.96
Non-US equity emerging	6.00	5.66
Fixed income/global bonds	18.00	2.38
Private equity	14.00	7.10
Real estate	13.00	3.64
Infrastructure	7.00	4.80
Private debt/private credit	<u>5.00</u>	5.86
Total	<u><u>100.00%</u></u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.00% as of June 30, 2024. 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 earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees as of June 30, 2024. 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 as of June 30, 2024. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments, for fiscal year 2024 was 9.31%.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

E. Actuarial Assumptions – SERS (continued)

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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's proportionate share of the net pension liability	\$ 10,636,847	\$ 6,952,817	\$ 3,851,062

F. Actuarial Assumptions – STRS

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actual cost method	Entry age normal
Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increase	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%
Cost-of-living adjustments (COLA)	0.00%

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024, valuation was based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 13: Pension Plans (continued)

F. Actuarial Assumptions – STRS (continued)

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

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long-Term Expected Real Rate of Return**</u>
Domestic equity	26.00%	6.90%
International equity	22.00	7.70
Alternatives	19.00	9.10
Fixed income	22.00	4.50
Real estate	10.00	5.10
Liquidity reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.4%, and is net of investment expenses. Over a 30-year period, STRS’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current active and inactive employees and their beneficiaries are included. Based on those assumptions, STRS’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2024. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2024.

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 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
District's proportionate share of the net pension liability	\$ 34,200,368	\$ 21,200,653	\$ 10,205,127

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans

A. Plan Description – School Employees Retirement System (SERS)

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

The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

The Health Care program is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The System's goal is to maintain a health care reserve account with a 20-year solvency period in order to ensure that fluctuations in the cost of health care do not cause an interruption in the program. However, during any period in which the 20-year solvency period is not achieved, the System shall manage the Health Care Fund on a pay-as-you-go basis.

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14.0% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2025, no allocation of covered payroll was made to health care. Active employee members do not contribute to the Health Care Plan. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For the fiscal year ended June 30, 2025, this amount was \$30,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year ended June 30, 2025, the District's surcharge obligation was \$96,244.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

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

The District's surcharge, added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS for healthcare was \$96,244 for fiscal year 2025. Of this amount \$96,244 is reported as an intergovernmental payable.

B. Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Health care premiums were reduced by a Medicare Part B premium credit beginning in 2023. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2025, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability (asset) were measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of those dates for SERS and STRS. Typically, the District's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below. For the plan year ended June 30, 2024, SERS allocated 0% of the total employer contribution of 14% to the health care fund. SERS' calculation of the employers' proportionate share is based on actual contributions made to the pension plan plus actual surcharge contributions made to the OPEB plan because the total of these two amounts is most representative of the level of future contributions to the OPEB plan. For the plan year ended June 30, 2024, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS' calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of net OPEB liability/asset prior measurement date	0.160778%	0.126512%	
Proportion of net OPEB liability/asset current measurement date	<u>0.138058%</u>	<u>0.110181%</u>	
Change in proportionate share	<u>(0.022720%)</u>	<u>(0.016331%)</u>	
Proportionate share of the net OPEB liability	\$ 1,406,117	\$ -	\$ 1,406,117
Proportionate share of the net OPEB asset	\$ -	\$ 2,089,927	\$ 2,089,927
Reduction OPEB expense	\$ 212,262	\$ 440,797	\$ 653,059

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 90,853	\$ 90,853
Change in assumptions	603,504	257,241	860,745
Difference between projected and actual earnings on plan investments	6,865	-	6,865
Changes in proportionate share and difference between District contributions and proportionate share of contributions	367,754	112,029	479,783
District contributions subsequent to the measurement date	<u>96,244</u>	<u>-</u>	<u>96,244</u>
Total deferred outflows of resources	\$ <u>1,074,367</u>	\$ <u>460,123</u>	\$ <u>1,534,490</u>

Deferred inflows of resources			
Differences between expected and actual experience	\$ 1,516,158	\$ 225,223	\$ 1,741,381
Change in assumptions	645,918	942,544	1,588,462
Difference between projected and actual earnings on plan investments	-	89,736	89,736
Changes in proportionate share and difference between District contributions and proportionate share of contributions	<u>877,241</u>	<u>1,617</u>	<u>878,858</u>
Total deferred inflows of resources	\$ <u>3,039,317</u>	\$ <u>1,259,120</u>	\$ <u>4,298,437</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

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

The \$96,244 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2026	\$ (455,871)	\$ (299,915)	\$ (755,786)
2027	(362,106)	(125,540)	(487,646)
2028	(270,352)	(164,878)	(435,230)
2029	(198,990)	(151,767)	(350,757)
2030	(196,923)	(119,873)	(316,796)
Thereafter	<u>(576,952)</u>	<u>62,976</u>	<u>(513,976)</u>
Total	\$ <u>(2,061,194)</u>	\$ <u>(798,997)</u>	\$ <u>(2,860,191)</u>

D. Actuarial Assumptions – SERS

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

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2024, are presented below:

Actuarial cost method	Entry age normal
Wage inflation	2.40%
Projected salary increases	3.25% to 13.58%, including inflation
Investment rate of return	7.00%, net of investing expense, including inflation
Municipal bond index rate:	
Measurement date	3.93%
Prior measurement date	3.86%
Year FNP is Projected to be Depleted	2059
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	4.88%
Prior measurement date	4.27%
Medical trend assumption	
Measurement date	7.00% to 4.40%
Prior measurement date	6.75% to 4.40%

Mortality rates were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality rates for disabled retirees were based on PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five-year period ended June 30, 2020.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00% as of June 30, 2024, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class for measurement year 2024 are summarized below:

Asset Class	Target Allocation	Expected Long-Term Real Rate of Return (geometric)
Cash	3.00%	0.97%
US equity	22.00	4.68
Non-US equity developed	12.00	4.96
Non-US equity emerging	6.00	5.66
Fixed income/global bonds	18.00	2.38
Private equity	14.00	7.10
Real estate	13.00	3.64
Infrastructure	7.00	4.80
Private debt/private credit	5.00	5.86
Total	100.00%	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2024 was 4.88%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination for the June 30, 2024 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate at June 30, 2024 was 3.93%. At June 30, 2024, the long-term expected rate of return on health care investments was applied to projected costs through the year 2059, and the municipal bond rate was applied to all health care costs after that date.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

D. Actuarial Assumptions – SERS (continued)

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

	<u>1% Decrease</u> <u>(3.88%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.88%)</u>	<u>1% Increase</u> <u>(5.88%)</u>
District's proportionate share of the net OPEB liability	\$ 1,875,005	\$ 1,406,117	\$ 1,033,519

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 950,481	\$ 1,406,117	\$ 2,005,009

Assumption Changes For 2025, SERS OPEB discount rate was changed from 4.27% to 4.88% percent, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2024. The health care trend rates were also updated.

E. Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2024 actuarial valuation are presented below:

Actuarial cost method	Entry age normal
Salary increases	Varies by service form 2.5% to 8.5%
Payroll increases	3.00%
Investment rate of return	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%

	<u>Initial</u>	<u>Ultimate</u>
Health care cost trends		
Medical		
Pre-Medicare	7.50%	3.94%
Medicare	(112.22%)	3.94%
Prescription drug		
Pre-Medicare	8.00%	3.94%
Medicare	(15.14%)	3.94%

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members. For healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2024 valuation is based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized below for measurement year 2024:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic equity	26.00%	6.90%
International equity	22.00	7.70
Alternatives	19.00	9.10
Fixed income	22.00	4.50
Real estate	10.00	5.10
Liquidity reserves	1.00	2.40
Total	<u>100.00%</u>	

* Final target weights reflected at October 1, 2022.

** 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.4%, and is net of investment expenses. Over a 30-year period, STRS's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was used to measure the total OPEB liability as of June 30, 2024.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 14: Defined Benefit OPEB Plans (continued)

E. Actuarial Assumptions – STRS (continued)

Sensitivity of the District’s Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2024, calculated using the current period discount rate assumption, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
District's proportionate share of the net OPEB asset	\$ 1,699,249	\$ 2,089,927	\$ 2,429,903

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 2,452,868	\$ 2,089,927	\$ 1,653,445

Assumption Changes Since the Prior Measurement Date: Changes in key assumptions used in calculating the total OPEB liability in the prior year are presented below:

	<u>Initial</u>	<u>Ultimate</u>
Health care cost trends		
Medical		
Pre-Medicare	7.50%	4.14%
Medicare	(10.94%)	4.14%
Prescription drug		
Pre-Medicare	(11.95%)	4.14%
Medicare	1.33%	4.14%

Benefit Term Changes Since the Prior Measurement Date Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 15: Employee Benefits

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, 12-month administrators and 12-month classified employees earn vacation. Some employees are also eligible for five or more weeks of vacation depending on longevity. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	2 Weeks
After 5 Years	3 Weeks
After 10 Years	4 Weeks

In addition to the vacation schedule, classified employees having served the District continuously for more than 15 years shall be entitled to one additional day for each complete year served in the District in excess of 15 years. Vacations for classified employees can be taken any time during the year. Employees may carry over a maximum of 10 days from one year to the next or may choose to be paid for vacation in lieu of time off at their rate of pay.

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

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

The District also offers retirement pick-up to certain employees.

Note 16: Interfund Transactions

A. Interfund balances

Interfund balances consisted of the following at June 30, 2025, as reported on the fund statements:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 579,772	\$ -
Non-major Governmental Fund	-	579,772
Total	<u>\$ 579,772</u>	<u>\$ 579,772</u>

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.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 16: Interfund Transactions (continued)

As of June 30, 2025, interfund transfers were as follows:

	<u>Transfer From</u> General Fund
Transfer to:	
Non-Major Governmental Funds	\$ <u>1,153,931</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 in accordance with budgetary authorizations. The transfers from the general fund to the non-major governmental funds were made to provide resources for current operations. No transfers were inconsistent with the purpose of the fund making the transfer.

Note 17: Contingencies

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

B. Litigation

The District is a party to ongoing legal proceedings. Management has determined that the ultimate outcome of these matters is not expected to have a material adverse effect on its financial condition or operations.

C. School District Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. DEW has finalized the adjustments, and they did not have a significant impact on the District's funding.

Note 18: Set-Aside Requirements

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 18: Set-Aside Requirements (continued)

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

	Capital Improvements
Set-aside reserve balance as of June 30, 2024	\$ -
Current year set-aside requirements	667,139
Qualifying disbursements	<u>(4,495,956)</u>
Total set-aside reserve balance as of June 30, 2025	\$ <u><u>(3,828,817)</u></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.

Note 19: Other Significant Commitments

At June 30, 2025, the District's significant contractual commitments consisted of:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Andrews & Pontius LLC	\$ 250,000	\$ 89,019	\$ 160,981
JP Farley - Admin	728,852	671,330	57,522
Metz Culinary Management	999,500	926,583	72,917
Richmond Transportation	50,000	-	50,000
Mentor Exempted Village	165,000	47,618	117,382
Cardinal Bus Sales & Service	380,444	-	380,444
Alex N Sill Company, LLC	2,000,000	776,271	1,223,729
Logicalis	197,539	153,562	43,977
Bluum of Minnesota, LLC	83,778	-	83,778
Interior Supply	111,839	-	111,839
Total outstanding commitments	\$ <u><u>4,966,952</u></u>	\$ <u><u>2,664,383</u></u>	\$ <u><u>2,302,569</u></u>

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

	<u>Encumbrances</u>
General Fund	\$ 751,194
Replacement Fund	185,209
Nonmajor Funds	<u>346,519</u>
Total other significant commitments	\$ <u><u>1,282,922</u></u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

For the Fiscal Year Ended June 30, 2025

Note 20: Tax Abatements

Under agreements entered into by the City of Ashtabula and the Saybrook Township, property tax revenues were reduced by \$90,794 and \$32,688, respectively.

Note 21: Asset Retirement Obligations

Ohio Administrative Code Section 1301-7-9 requires a District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. During the year ended June 30, 2025, the UST was removed, and the related asset retirement obligation was retired.

Note 22: Subsequent Events

Lakeside High School Insurance Claim

Over the Thanksgiving holiday weekend from November 30th to December 1st 2024, the Ashtabula area experienced significant snowfall that resulted in approximately five feet of snow (“Event”) on the roof of Ashtabula Area City School District’s (“District”) Lakeside High School as well as the District’s other buildings. The weight of the snow from this unprecedented Event caused the roof to collapse on the academic wing of Lakeside High School and damaged trusses on the back part of the High School roof system, as well as damage to other school buildings throughout the District.

The District moved students around within its other buildings in the District because the High School in its current state cannot be occupied and used to educate students.

The District immediately notified its insurance provider, Liberty Mutual Insurance (“Liberty”), and initiated a claim for its losses due to the Event. Liberty then began its investigation into the roof collapse, which included Liberty completely removing the damaged roof structure on the academic wing of the High School for evaluation purposes. During the investigation into the roof collapse on the academic wing of the High School, the District’s architecture and engineering consultants also inspected the roof at the back portion of High School and at the District’s other buildings. The investigation at the District’s other buildings is ongoing, but early indications show damage to the trusses at these buildings that will likely result in additional major repair.

The District’s consultants estimate the cost of repairs at Lakeside High School to be \$56,384,528. Liberty Mutual has paid the District \$25,997,533. The difference in the District’s estimated scope of repair and Liberty’s settlement offer is currently the subject of litigation.

Ashtabula Area City School District

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

For the Last Ten Fiscal Years (1)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability	0.135914%	0.156311%	0.161033%	0.140829%	0.157178%
District's proportionate share of the net pension liability	\$ 6,952,817	\$ 8,637,009	\$ 8,709,913	\$ 5,196,190	\$ 10,396,083
District's covered payroll	\$ 5,695,921	\$ 6,378,221	\$ 5,677,644	\$ 4,777,900	\$ 5,494,257
District's proportionate share of the net pension liability as a percentage of its covered payroll	122.07%	135.41%	153.41%	108.75%	189.22%
Plan fiduciary net position as a percentage of the total pension liability	78.52%	76.06%	75.82%	82.86%	68.55%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.149936%	0.144482%	0.143723%	0.147634%	0.145087%
District's proportionate share of the net pension liability	\$ 8,970,929	\$ 8,274,757	\$ 8,587,102	\$ 10,805,447	\$ 8,278,822
District's covered payroll	\$ 5,143,657	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179	\$ 3,941,929
District's proportionate share of the net pension liability as a percentage of its covered payroll	174.41%	173.33%	182.91%	214.64%	210.02%
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.36%	69.50%	62.98%	69.16%

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior year.

Ashtabula Area City School District

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

For the Last Ten Fiscal Years (1)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability	0.110181%	0.126512%	0.129151%	0.133907%	0.140329%
District's proportionate share of the net pension liability	\$ 21,200,653	\$ 27,244,371	\$ 28,710,371	\$ 17,121,242	\$ 33,954,680
District's covered payroll	\$ 15,211,521	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479	\$ 16,980,800
District's proportionate share of the net pension liability as a percentage of its covered payroll	139.37%	161.31%	171.61%	103.31%	199.96%
Plan fiduciary net position as a percentage of the total pension liability	82.50%	80.00%	78.90%	87.80%	75.50%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's proportion of the net pension liability	0.140186%	0.135702%	0.136526%	0.137571%	0.134112%
District's proportionate share of the net pension liability	\$ 31,001,234	\$ 29,837,817	\$ 32,431,978	\$ 46,049,177	\$ 37,064,601
District's covered payroll	\$ 16,600,264	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893	\$ 13,578,550
District's proportionate share of the net pension liability as a percentage of its covered payroll	186.75%	191.36%	214.66%	316.17%	272.96%
Plan fiduciary net position as a percentage of the total pension liability	77.40%	77.30%	75.30%	66.80%	72.10%

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior year.

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

Ashtabula Area City School District

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

For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually-required contribution	\$ 784,896	\$ 797,429	\$ 892,951	\$ 794,873	\$ 668,906
Contributions in relation to the contractually-required contribution	<u>(784,896)</u>	<u>(797,429)</u>	<u>(892,951)</u>	<u>(794,873)</u>	<u>(668,906)</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 5,606,400	\$ 5,695,921	\$ 6,378,221	\$ 5,677,664	\$ 4,777,900
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 769,196	\$ 694,394	\$ 644,505	\$ 657,254	\$ 704,785
Contributions in relation to the contractually-required contribution	<u>(769,196)</u>	<u>(694,394)</u>	<u>(644,505)</u>	<u>(657,254)</u>	<u>(704,785)</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 5,494,257	\$ 5,143,657	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179
Contributions as a percentage of covered payroll	14.00%	13.50%	13.50%	14.00%	14.00%

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

Ashtabula Area City School District

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

For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually-required contribution	\$ 2,119,352	\$ 2,129,613	\$ 2,364,571	\$ 2,342,269	\$ 2,320,147
Contributions in relation to the contractually-required contribution	<u>(2,119,352)</u>	<u>(2,129,613)</u>	<u>(2,364,571)</u>	<u>(2,342,269)</u>	<u>(2,320,147)</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 15,138,229	\$ 15,211,521	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually-required contribution	\$ 2,377,312	\$ 2,324,037	\$ 2,182,956	\$ 2,115,178	\$ 2,039,085
Contributions in relation to the contractually-required contribution	<u>(2,377,312)</u>	<u>(2,324,037)</u>	<u>(2,182,956)</u>	<u>(2,115,178)</u>	<u>(2,039,085)</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 16,980,800	\$ 16,600,264	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%

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

Ashtabula Area City School District

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

For the Last Nine Fiscal Years (1)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	
District's proportion of the net OPEB liability	0.138058%	0.160778%	0.164722%	0.145426%	
District's proportionate share of the net OPEB liability	\$ 1,406,117	\$ 2,648,722	\$ 2,312,712	\$ 2,752,308	
District's covered payroll	\$ 5,695,921	\$ 6,055,279	\$ 5,677,664	\$ 4,777,900	
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	24.69%	43.74%	40.73%	57.60%	
Plan fiduciary net position as a percentage of the total OPEB liability	44.50%	30.02%	30.34%	24.08%	
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.160241%	0.153846%	0.147163%	0.145757%	0.149660%
District's proportionate share of the net OPEB liability	\$ 3,482,556	\$ 3,868,914	\$ 4,082,698	\$ 3,911,721	\$ 4,265,850
District's covered payroll	\$ 5,494,257	\$ 5,143,657	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	63.39%	75.22%	85.52%	83.32%	84.74%
Plan fiduciary net position as a percentage of the total OPEB liability	18.17%	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

Required Supplementary Information
 Schedule of the District's Proportionate Share of the Net OPEB Asset/Liability
 State Teachers Retirement System of Ohio

For the Last Nine Fiscal Years (1)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	
District's proportion of the net OPEB asset/liability	0.110181%	0.126512%	0.129151%	0.133907%	
District's proportionate share of the net OPEB (asset) liability	\$ (2,089,927)	\$ (2,460,492)	\$ (3,344,143)	\$ (2,823,324)	
District's covered payroll	\$ 15,211,521	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479	
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(13.74)%	(14.57)%	(19.99)%	(17.04)%	
Plan fiduciary net position as a percentage of the total OPEB liability	158.01%	168.50%	230.70%	174.70%	
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB asset/liability	0.140329%	0.140186%	0.135702%	0.136526%	0.137571%
District's proportionate share of the net OPEB (asset) liability	\$ (2,466,284)	\$ (2,321,813)	\$ (2,180,593)	\$ 5,326,730	\$ 7,357,336
District's covered payroll	\$ 16,980,800	\$ 16,600,264	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893
District's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(14.52)%	(13.99)%	(13.98)%	35.26%	50.51%
Plan fiduciary net position as a percentage of the total OPEB liability	182.10%	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available. Amounts presented for each fiscal year were determined as of the District's measurement date which is June 30 of the prior fiscal year.

Ashtabula Area City School District

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

For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution (1)	\$ 96,244	\$ 96,731	\$ 117,168	\$ 107,901	\$ 94,405
Contributions in relation to the contractually required contribution	<u>(96,244)</u>	<u>(96,731)</u>	<u>(117,168)</u>	<u>(107,901)</u>	<u>(94,405)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 5,606,400	\$ 5,695,921	\$ 6,055,279	\$ 5,677,664	\$ 4,777,900
Contributions as a percentage of covered payroll	1.72%	1.70%	1.93%	1.90%	1.98%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution (1)	\$ 89,403	\$ 120,519	\$ 105,977	\$ 79,031	\$ 75,937
Contributions in relation to the contractually required contribution	<u>(89,403)</u>	<u>(120,519)</u>	<u>(105,977)</u>	<u>(79,031)</u>	<u>(75,937)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District covered payroll	\$ 5,494,257	\$ 5,143,657	\$ 4,774,111	\$ 4,694,671	\$ 5,034,179
Contributions as a percentage of covered payroll	1.63%	2.34%	2.22%	1.68%	1.51%

(1) Includes surcharge

Ashtabula Area City School District

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

For the Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 15,138,229	\$ 15,211,521	\$ 16,889,793	\$ 16,730,493	\$ 16,572,479
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>				
District covered payroll	\$ 16,980,800	\$ 16,600,264	\$ 15,592,543	\$ 15,108,414	\$ 14,564,893
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

Ashtabula Area City School District

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

Note 1: Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0% was used for COLA or Ad Hoc Cola. Beginning in fiscal year 2018, an assumption of 2.5% was used. Prior to 2018, an assumption of 3.0% was used.

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. Assumptions are compared to those used in prior fiscal years below:

	<u>Fiscal Year 2025-2022</u>	
Wage inflation	2.40%	
Future salary increases, including inflation	3.25% to 13.58%	
Investment rate of return	7.00% net of investments expense, including inflation	
	<u>Fiscal Year 2021-2017</u>	<u>Fiscal Year 2016</u>
Wage inflation	3.00%	3.25%
Future salary increases, including inflation	3.50% to 18.20%	4.00% to 22.00%
Investment rate of return	7.50% net of investments expense, including inflation	7.75% net of investments expense, including inflation

Beginning with fiscal year 2022, mortality assumptions use mortality rates that are based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions – STRS

Amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions used compared with those used prior are presented below:

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2025

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

	<u>Fiscal Year 2025-2023</u>	<u>Fiscal Year 2022</u>
Inflation	2.50%	2.50%
Discount rate	7.00%	7.00%
Projected salary increases	Varies by service from 2.5% to 8.5%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017	0.00%, effective July 1, 2017
	<u>Fiscal Year 2021-2018</u>	<u>Fiscal Year 2017 and Prior</u>
Inflation	2.50%	2.75%
Discount rate	7.45%	7.75%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.45%, net of investment expenses, including inflation	7.75%, net of investment expenses, including inflation
Payroll increases	3.00%	3.50%
Cost-of-Living Adjustments (COLA)	0.00%, effective July 1, 2017	2.00% simple applied as follows: for members retiring before August 1, 2013, 2.00% per year; for members retiring August 1, 2013, or later, 2.00% COLA commences on fifth anniversary of retirement date

Beginning in fiscal year 2023, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2025

Note 1: Net Pension Liability (continued)

Changes in Assumptions – STRS (continued)

For fiscal year 2019 through 2022, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Postretirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Note 2: Net OPEB Liability (Asset)

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2025 3.93%
Fiscal year 2024 3.86%
Fiscal year 2023 3.69%
Fiscal year 2022 1.92%
Fiscal year 2021 2.45%
Fiscal year 2020 3.13%
Fiscal year 2019 3.62%
Fiscal year 2018 3.56%
Fiscal year 2017 2.92%

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Net OPEB Liability (Asset) (continued)

Changes in Assumptions – SERS (continued)

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2025 4.88%
Fiscal year 2024 4.27%
Fiscal year 2023 4.08%
Fiscal year 2022 2.27%
Fiscal year 2021 2.63%
Fiscal year 2020 3.22%
Fiscal year 2019 3.70%
Fiscal year 2018 3.63%
Fiscal year 2017 2.98%

Healthcare Cost Trend Rate:

Fiscal year 2025 7.00% decreasing to 4.40%
Fiscal year 2024 6.75% decreasing to 4.40%
Fiscal year 2023 7.00% decreasing to 4.40%
Fiscal year 2022 6.75% decreasing to 4.40%
Fiscal year 2021 7.00% decreasing to 4.75%
Fiscal year 2020 7.25% decreasing to 4.75%
Fiscal year 2019 7.50% decreasing to 5.00%

Changes in Assumptions – STRS

Healthcare Cost Trend Rate:

Fiscal year 2025

Medical pre-Medicare: 7.50% initial – 3.94% ultimate
Medical Medicare: (112.22%) initial – 3.94% ultimate
Prescription drug pre-Medicare: 8.00% initial – 3.94% ultimate
Prescription drug Medicare: (15.14%) initial – 3.94% ultimate

Fiscal year 2024

Medical pre-Medicare: 7.50% initial – 4.14% ultimate
Medical Medicare: (10.94%) initial – 4.14% ultimate
Prescription drug pre-Medicare: (11.95%) initial – 4.14% ultimate
Prescription drug Medicare: 1.33% initial – 4.14% ultimate

Fiscal year 2023

Medical pre-Medicare: 7.50% initial – 3.94% ultimate
Medical Medicare: (68.78%) initial – 3.94% ultimate
Prescription drug pre-Medicare: 9.00% initial – 3.94% ultimate
Prescription drug Medicare: (5.47%) initial – 3.94% ultimate

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Net OPEB Liability (Asset) (continued)

Changes in Assumptions – STRS (continued)

For fiscal year 2022, the discount rate was decreased from 7.45% to 7.00%. Changes to healthcare cost trends for medical and prescription drug were adjusted for Medicare.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Also for fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

Changes in Benefit Term Changes – SERS

Effective January 1, 2024, the non-Medicare disability health care subsidy amounts will change to reflect amounts equal to that of service retirees by years of service.

Changes in Benefit Term – STRS

For fiscal year 2025 Healthcare trends were updated to reflect emerging claims and recoveries experience as well as benefit changes effective January 1, 2025. The larger Medicare trends for Years 2027 and 2028 reflect the assumed impact of the expiration of current Medicare Advantage contract on December 31, 2028.

Ashtabula Area City School District

Notes to the Required Supplementary Information (continued)

For the Fiscal Year Ended June 30, 2025

Note 2: Net OPEB Liability (Asset) (continued)

Changes in Benefit Term – STRS (continued)

There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30, 2023 premium based on June 30, 2022 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2023 from 2.100% to 2.200%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2023. The Medicare Part D subsidy is expected to be negative in 2023 and is not included in the fiscal 2023 rates.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in 2022. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There was no change to the claims costs process. Claim curves were updated to reflect the projected June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	2025	\$566,137
National School Lunch Program	10.555	2025	1,436,558
Non-Cash Food Commodities	10.555	2025	159,012
Total Child Nutrition Cluster			2,161,707
Child Care Food Program	10.558	2025	63,061
Total U.S. Department of Agriculture			2,224,768
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education and Workforce:</i>			
Title I - Grants to Local Educational Agencies	84.010A	2024	468,363
Title I - Grants to Local Educational Agencies	84.010A	2025	2,105,074
Title I A - Improving Basic Programs	84.010A	2024	19,422
Title I A - Improving Basic Programs	84.010A	2025	297,258
Subtotal Title I - Grants to Local Educational Agencies			2,890,117
<i>Special Education Cluster:</i>			
IDEA-B - Special Education Grants to State	84.027A	2024	178,376
IDEA-B - Special Education Grants to State	84.027A	2025	946,114
Subtotal - Special Education Grant			1,124,490
Special Education - Preschool Grant	84.173A	2024	1,880
Special Education - Preschool Grant	84.173A	2025	33,061
Subtotal - Special Education - Preschool Grant			34,941
Subtotal - Special Education Cluster			1,159,431
Title VI-B - Rural Education	84.358B	2024	103,745
Title VI-B - Rural Education	84.358B	2025	159,143
Subtotal - Title VI-B - Rural Education			262,888
Title III - English Language Acquisition	84.365A	2025	58,331
Title II - A Improving Teacher Quality State Grants	84.367A	2024	81,476
Title II - A Improving Teacher Quality State Grants	84.367A	2025	311,464
Subtotal - Title II - A Improving Teacher Quality State Grants			392,940
Student Support	84.424A	2024	125,541
Student Support	84.424A	2025	199,924
Subtotal - Student Support			325,465
COVID-19 - American Rescue Plan (ARP) ESSER	84.425U	2025	2,429,161
Total - U.S. Department of Education			7,518,333
<u>U.S. DEPARTMENT OF TREASURY:</u>			
<i>Passed through Ohio Department of Development:</i>			
COVID-19 - Appalachian Grant	21.027	2025	60,000
Total U.S. Department of Treasury			60,000
Total Expenditures of Federal Awards			\$9,803,101

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, 2025**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Ashtabula Area City School District (the District) under programs of the federal government for the year ended June 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Ashtabula Area City School District
Ashtabula County
541 West 34th Street
Ashtabula, Ohio 44004

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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, 2025, 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 10, 2026, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026

OHIO AUDITOR OF STATE KEITH FABER



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

Ashtabula Area City School District
Ashtabula County
541 West 34th Street
Ashtabula, Ohio 44004

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ashtabula Area City School District's, Ashtabula County, (District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Ashtabula Area City School District's major federal programs for the year ended June 30, 2025. Ashtabula Area City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Ashtabula Area City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

KEITH FABER
Ohio Auditor of State



Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

March 10, 2026

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**ASHTABULA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2025**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OHIO AUDITOR OF STATE KEITH FABER



ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/24/2026

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

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