



Dave Yost • Auditor of State



**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Conneaut Area City School District  
Ashtabula County  
400 Mill Street, Suite B  
Conneaut, Ohio 44030

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conneaut Area City School District, Ashtabula County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conneaut Area City School District, Ashtabula County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 7, 2013

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The management's discussion and analysis of Conneaut Area City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key Financial Highlights for fiscal year 2012 are as follows:

- The School District received a loan to pay for the remaining costs of the bleacher project that was completed last fiscal year. The School District is also receiving donations that were pledged to cover the costs of the project.
- Energy conservation improvements are being done at School District buildings. This project should be finalized in fiscal year 2013.
- The School District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the School District.

**Using this Annual Financial Report**

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Conneaut Area City School District, the general fund, the bond retirement debt service fund, and the permanent improvement capital projects fund are the more significant funds.

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

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

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the permanent improvement capital projects fund, and the bond retirement debt service fund.

*Governmental Funds*

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

**The School District as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for 2012 compared to 2011.



**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

(Table 1)  
 Net Assets  
 Governmental Activities

	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$14,340,966	\$14,703,359	(\$362,393)
Capital Assets	37,382,470	38,835,985	(1,453,515)
<i>Total Assets</i>	<u>51,723,436</u>	<u>53,539,344</u>	<u>(1,815,908)</u>
<b>Liabilities</b>			
Current Liabilities	4,456,722	4,527,731	(71,009)
Long-Term Liabilities			
Due within One Year	490,259	485,000	5,259
Due in More than One Year	6,897,784	7,013,754	(115,970)
<i>Total Liabilities</i>	<u>11,844,765</u>	<u>12,026,485</u>	<u>(181,720)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	31,318,456	32,556,031	(1,237,575)
Restricted for:			
Capital Projects	2,427,731	2,094,682	333,049
Debt Service	1,867,914	1,741,919	125,995
Set Asides	0	799,810	(799,810)
Other Purposes	900,091	1,552,691	(652,600)
Unrestricted	3,364,479	2,767,726	596,753
<i>Total Net Assets</i>	<u>\$39,878,671</u>	<u>\$41,512,859</u>	<u>(\$1,634,188)</u>

The overall decrease in net assets is mainly due to a decrease in current and capital assets. The decrease in current assets is due to decreased cash and receivables. The decrease in capital assets is due to annual depreciation outpacing additions to assets.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for 2012 and 2011.

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

(Table 2)  
Change in Net Assets  
Governmental Activities

	2012	2011	Change
<b>Revenues</b>			
<b><i>Program Revenues</i></b>			
Charges for Services and Sales	\$464,253	\$416,448	\$47,805
Operating Grants and Contributions	2,337,418	5,078,035	(2,740,617)
<i>Total Program Revenues</i>	<u>\$2,801,671</u>	<u>\$5,494,483</u>	<u>(\$2,692,812)</u>
<b><i>General Revenues</i></b>			
Property Taxes	\$4,274,903	\$4,399,492	(\$124,589)
Grants and Entitlements not Restricted	12,339,577	12,702,132	(362,555)
Investment Earnings	4,533	11,233	(6,700)
Miscellaneous	178,097	135,672	42,425
<i>Total General Revenues</i>	<u>16,797,110</u>	<u>17,248,529</u>	<u>(451,419)</u>
<i>Total Revenues</i>	<u>19,598,781</u>	<u>22,743,012</u>	<u>(3,144,231)</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	8,986,849	9,620,059	\$633,210
Special	2,134,243	2,166,855	32,612
Vocational	148,885	115,728	(33,157)
Student Intervention Services	1,451,992	1,256,853	(195,139)
Support Services:			
Pupils	1,066,973	1,330,775	263,802
Instructional Staff	1,316,986	1,473,489	156,503
Board of Education	26,070	30,906	4,836
Administration	1,784,183	1,807,127	22,944
Fiscal	426,959	410,450	(16,509)
Business	172	0	(172)
Operation and Maintenance of Plant	1,847,777	1,878,651	30,874
Pupil Transportation	673,670	808,510	134,840
Central	50,547	62,324	11,777
Extracurricular Activities	319,354	368,469	49,115
Operation of Non-Instructional Services:			
Food Service Operations	830,147	790,823	(39,324)
Interest and Fiscal Charges	168,162	198,200	30,038
<i>Total Program Expenses</i>	<u>21,232,969</u>	<u>22,319,219</u>	<u>1,086,250</u>
<i>Increase (Decrease) in Net Assets</i>	(1,634,188)	423,793	(2,057,981)
Net Assets Beginning of Year	41,512,859	41,089,066	423,793
<i>Net Assets End of Year</i>	<u>\$39,878,671</u>	<u>\$41,512,859</u>	<u>(\$1,634,188)</u>

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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***Governmental Activities***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus School District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 21.81 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2012 versus 19.34 percent in fiscal year 2011 and 20.38 percent in fiscal year 2010. Calendar year 2008 was a reappraisal year for the School District and historically the School District could count on a 20 percent increase in assessed valuations. Due to the current housing market only a 3.6 percent increase in assessed valuations was realized with this reappraisal. Calendar year 2011 was an update year, so assessed values were reevaluated once again. The School District has not gone to the community for an operating levy since 1991. The School District has prudently managed expenses within revenues over the prior fifteen years.

Although the School District relies upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset operating costs.

Most areas of expenses decreased, as the School District made an effort to control costs.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2012 compared to 2011.

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

(Table 3)  
 Total and Net Cost of Program Services  
 Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Instruction	\$12,721,969	\$11,590,500	\$13,159,495	\$9,920,611
Support Services:				
Pupils and Instructional Staff	2,383,959	1,761,894	2,804,264	1,487,223
Board of Education, Business, Administration, and Fiscal	2,237,384	2,237,384	2,248,483	2,248,483
Operation and Maintenance of Plant	1,847,777	1,770,825	1,878,651	1,799,367
Pupil Transportation	673,670	616,719	808,510	808,510
Central	50,547	50,547	62,324	57,324
Extracurricular Activities	319,354	241,637	368,469	294,192
Operation of Non- Instructional Services:				
Food Service Operations	830,147	(6,370)	790,823	10,826
Interest and Fiscal Charges	168,162	168,162	198,200	198,200
<i>Total Expenses</i>	<u>\$21,232,969</u>	<u>\$18,431,298</u>	<u>\$22,319,219</u>	<u>\$16,824,736</u>

**The School District's Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,517,651 and expenditures of \$20,160,713. The general fund had a decrease in fund balance mainly due to decreased revenues, such as property taxes and intergovernmental revenue, as well as increases in several expenditure categories. The bond retirement fund had an increase in fund balances mainly due to decreased expenditure of issuance costs.

***General Fund Budgeting Highlights***

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the School District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Revised Code. During the course of fiscal year 2012, the School District amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were in line with the final certification. The final certification was slightly higher than the original budgeted revenues, due to higher estimates in property taxes and tuition and fees as the fiscal year progressed. Actual expenditures were \$1,228,272 less than appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

	2012	2011	Change
Land and Construction in Progress	\$2,678,662	\$2,576,361	\$102,301
Land Improvements	1,318,954	1,423,974	(105,020)
Buildings and Improvements	31,873,304	33,177,509	(1,304,205)
Furniture and Fixtures	1,173,427	1,301,248	(127,821)
Vehicles	338,123	343,055	(4,932)
Textbooks	0	13,838	(13,838)
<b>Total</b>	<b>\$37,382,470</b>	<b>\$38,835,985</b>	<b>(\$1,453,515)</b>

For fiscal year 2012, capital assets decreased. This decrease was due to annual depreciation outpacing the additions to capital assets. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2012, this set aside amounted to \$339,415. See Note 9 to the basic financial statements for additional information on the School District's capital assets and Note 19 for additional information regarding required set-asides.

***Debt***

Table 5 summarizes the debt outstanding:

Outstanding Long-Term Obligations  
 Governmental Activities

	2012	2011	Change
Bleacher Refinancing Loan	\$224,000	\$0	\$224,000
Classroom Facilities Improvement Refunding Bonds			
Current Interest Serial Bonds	4,175,000	4,505,000	(330,000)
Capital Appreciation Bonds	94,999	94,999	0
Accretion on Capital Appreciation Bonds	55,595	25,086	30,509
Energy Conservation Term Bonds	1,600,000	1,712,161	(112,161)
<b>Totals</b>	<b>\$6,149,594</b>	<b>\$6,337,246</b>	<b>(\$187,652)</b>

**Conneaut Area City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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Classroom Facilities Improvement general obligation bonds were retired by the issuance of Classroom Facilities Improvement Refunding bonds during fiscal year 2011. The School District also issued Energy Conservation Bonds during fiscal year 2011. During fiscal year 2012, the School District received a loan from the Conneaut Savings Bank in order to finance the remaining costs of the bleacher project.

The School District's overall legal debt margin was \$11,930,776 with an unvoted debt margin of \$180,271.

Additional information concerning debt issuances can be found in Note 16 to the basic financial statements.

**Challenges and Opportunities**

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

The School District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the School District the last couple fiscal years. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. This is evident from the very small amount of interest revenue during fiscal year 2012. And finally, actions of local and state governments continue to impact the School District. Like many school districts in the State of Ohio, the School District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact, Lindsey Cotton, Treasurer at Conneaut Area City School District, 400 Mill Street, Suite B, Conneaut, Ohio 44030 or email at [lcotton@cacsk12.org](mailto:lcotton@cacsk12.org).

**Conneaut Area City School District**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$9,057,743
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	6,601
Accounts Receivable	8,737
Intergovernmental Receivable	411,529
Inventory Held for Resale	10,027
Materials and Supplies Inventory	49,606
Taxes Receivable	4,676,942
Deferred Charges	119,781
Nondepreciable Capital Assets	2,678,662
Depreciable Capital Assets, Net	<u>34,703,808</u>
<i>Total Assets</i>	<u>51,723,436</u>
<b>Liabilities</b>	
Accounts Payable	101,751
Accrued Wages	1,613,058
Intergovernmental Payable	461,426
Matured Compensated Absences Payable	4,235
Accrued Interest Payable	10,692
Deferred Revenue	2,265,560
Long-Term Liabilities:	
Due Within One Year	490,259
Due in More Than One Year	<u>6,897,784</u>
<i>Total Liabilities</i>	<u>11,844,765</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	31,318,456
Restricted for:	
Capital Projects	2,427,731
Debt Service	1,867,914
Other Purposes	900,091
Unrestricted	<u>3,364,479</u>
<i>Total Net Assets</i>	<u><u>\$39,878,671</u></u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$8,986,849	\$220,406	\$220,851	(\$8,545,592)
Special	2,134,243	0	690,212	(1,444,031)
Vocational	148,885	0	0	(148,885)
Student Intervention Services	1,451,992	0	0	(1,451,992)
Support Services:				
Pupils	1,066,973	0	181,707	(885,266)
Instructional Staff	1,316,986	0	440,358	(876,628)
Board of Education	26,070	0	0	(26,070)
Administration	1,784,183	0	0	(1,784,183)
Fiscal	426,959	0	0	(426,959)
Business	172	0	0	(172)
Operation and Maintenance of Plant	1,847,777	0	76,952	(1,770,825)
Pupil Transportation	673,670	0	56,951	(616,719)
Central	50,547	0	0	(50,547)
Extracurricular Activities	319,354	68,831	8,886	(241,637)
Operation of Non-Instructional Services:				
Food Service Operations	830,147	175,016	661,501	6,370
Interest and Fiscal Charges	168,162	0	0	(168,162)
<i>Totals</i>	<u>\$21,232,969</u>	<u>\$464,253</u>	<u>\$2,337,418</u>	<u>(18,431,298)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	3,528,264
Debt Service	492,560
Capital Outlay	190,154
Classroom Facilities Maintenance	63,925
Grants and Entitlements not Restricted to Specific Programs	12,339,577
Investment Earnings	4,533
Miscellaneous	178,097

*Total General Revenues*

16,797,110

Change in Net Assets

(1,634,188)

*Net Assets Beginning of Year*

41,512,859

*Net Assets End of Year*

\$39,878,671

See accompanying notes to the basic financial statements



**Conneaut Area City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2012*

	General	Permanent Improvement	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$4,349,804	\$1,232,275	\$1,598,218	\$1,877,446	\$9,057,743
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	0	0	0	6,601	6,601
Receivables:					
Taxes	3,854,397	207,237	546,229	69,079	4,676,942
Accounts	8,537	0	0	200	8,737
Intergovernmental	0	0	0	411,529	411,529
Interfund Receivable	15,306	0	0	0	15,306
Inventory Held for Resale	0	0	0	10,027	10,027
Materials and Supplies Inventory	48,712	0	0	894	49,606
<i>Total Assets</i>	<u>\$8,276,756</u>	<u>\$1,439,512</u>	<u>\$2,144,447</u>	<u>\$2,375,776</u>	<u>\$14,236,491</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$51,519	\$0	\$0	\$50,232	\$101,751
Accrued Wages	1,394,384	0	0	218,674	1,613,058
Intergovernmental Payable	404,244	0	0	57,182	461,426
Interfund Payable	0	0	0	15,306	15,306
Deferred Revenue	2,405,924	129,458	344,038	344,687	3,224,107
Matured Compensated Absences Payable	0	0	0	4,235	4,235
<i>Total Liabilities</i>	<u>4,256,071</u>	<u>129,458</u>	<u>344,038</u>	<u>690,316</u>	<u>5,419,883</u>
<b>Fund Balances:</b>					
Nonspendable	48,712	0	0	894	49,606
Restricted	0	1,310,054	1,800,409	1,841,067	4,951,530
Assigned	3,539,498	0	0	0	3,539,498
Unassigned (Deficit)	432,475	0	0	(156,501)	275,974
<i>Total Fund Balances</i>	<u>4,020,685</u>	<u>1,310,054</u>	<u>1,800,409</u>	<u>1,685,460</u>	<u>8,816,608</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,276,756</u>	<u>\$1,439,512</u>	<u>\$2,144,447</u>	<u>\$2,375,776</u>	<u>\$14,236,491</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Funds Balances</b>	\$8,816,608
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,382,470
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	657,013
Grants	<u>301,534</u>
Total	958,547
Unamortized issuance costs represent deferred charges which do not provide current financial resources, and therefore, are not reported in the funds.	119,781
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(10,692)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(5,869,999)
Loan	(224,000)
Bond Premium	(185,382)
Accounting Loss	95,586
Accretion	(55,595)
Compensated Absences	<u>(1,148,653)</u>
Total	<u>(7,388,043)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$39,878,671</u></u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**

*Statement of Revenues, Expenditures and Changes in Fund Balances*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2012*

	General	Permanent Improvement	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$3,545,116	\$191,092	\$498,522	\$64,237	\$4,298,967
Intergovernmental	12,236,874	56,951	102,703	3,017,373	15,413,901
Interest	3,236	0	0	1,297	4,533
Charges for Services	2,949	0	0	175,016	177,965
Tuition and Fees	217,629	0	0	0	217,629
Extracurricular Activities	950	0	0	67,503	68,453
Rentals	206	0	0	0	206
Contributions and Donations	8,331	0	0	149,569	157,900
Miscellaneous	164,878	0	0	13,219	178,097
<i>Total Revenues</i>	<u>16,180,169</u>	<u>248,043</u>	<u>601,225</u>	<u>3,488,214</u>	<u>20,517,651</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,579,289	0	0	971,772	7,551,061
Special	1,583,568	0	0	507,926	2,091,494
Vocational	144,096	0	0	0	144,096
Student Intervention Services	1,451,992	0	0	0	1,451,992
Support Services:					
Pupils	985,378	0	0	52,526	1,037,904
Instructional Staff	770,897	56,572	0	482,867	1,310,336
Board of Education	26,070	0	0	0	26,070
Administration	1,543,608	0	0	143,293	1,686,901
Fiscal	407,457	4,703	12,716	1,568	426,444
Business	172	0	0	0	172
Operation and Maintenance of Plant	1,708,043	18,982	0	92,270	1,819,295
Pupil Transportation	604,967	75,325	0	0	680,292
Central	44,500	0	0	5,669	50,169
Extracurricular Activities	217,666	0	0	95,513	313,179
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	797,008	797,008
Capital Outlay	0	25,731	0	114,399	140,130
Debt Service:					
Principal Retirement	112,161	0	330,000	56,000	498,161
Interest and Fiscal Charges	4,637	0	127,129	4,243	136,009
<i>Total Expenditures</i>	<u>16,184,501</u>	<u>181,313</u>	<u>469,845</u>	<u>3,325,054</u>	<u>20,160,713</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(4,332)	66,730	131,380	163,160	356,938
<b>Other Financing Sources</b>					
Proceeds of Loan	0	0	0	280,000	280,000
<i>Net Change in Fund Balances</i>	(4,332)	66,730	131,380	443,160	636,938
<i>Fund Balance Beginning of Year</i>	<u>4,025,017</u>	<u>1,243,324</u>	<u>1,669,029</u>	<u>1,242,300</u>	<u>8,179,670</u>
<i>Fund Balances End of Year</i>	<u>\$4,020,685</u>	<u>\$1,310,054</u>	<u>\$1,800,409</u>	<u>\$1,685,460</u>	<u>\$8,816,608</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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<b>Net Change in Fund Balances -Total Governmental Funds</b>	<b>\$636,938</b>
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*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	177,626	
Current Year Depreciation	<u>(1,631,141)</u>	
Total		(1,453,515)

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

Property Taxes	(24,064)	
Grants	<u>(894,806)</u>	
Total		(918,870)

Other financing sources in the governmental funds, such as proceeds of loans, increase long-term liabilities in the statement of net assets. (280,000)

Repayment of bond and loan principal and accreted interest on bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 498,161

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

Accrued Interest	577	
Annual Accretion	(30,509)	
Amortization of Bond Premium	16,120	
Amortization of Bond Issuance Costs	(10,029)	
Amortization of Loss on Refunding	<u>(8,312)</u>	
Total		(32,153)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (84,749)

*Change in Net Assets of Governmental Activities* (\$1,634,188)

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,377,588	\$3,619,286	\$3,619,286	\$0
Intergovernmental	12,533,219	12,236,874	12,236,874	0
Interest	8,000	2,901	3,236	335
Charges for Services	2,400	3,377	3,377	0
Tuition and Fees	158,969	217,772	217,772	0
Rentals	500	244	244	0
Extracurricular Activities	0	950	950	0
Miscellaneous	35,160	136,003	136,003	0
<i>Total Revenues</i>	<u>16,115,836</u>	<u>16,217,407</u>	<u>16,217,742</u>	<u>335</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,794,933	8,892,560	8,175,542	717,018
Special	1,754,802	1,766,024	1,611,697	154,327
Vocational	111,537	153,997	142,782	11,215
Support Services:				
Pupils	846,542	1,021,769	982,345	39,424
Instructional Staff	814,312	824,372	772,656	51,716
Board of Education	30,966	28,011	26,196	1,815
Administration	1,686,418	1,660,900	1,609,116	51,784
Fiscal	441,982	437,504	408,010	29,494
Business	0	0	86	(86)
Operation and Maintenance of Plant	1,839,311	1,923,372	1,803,714	119,658
Pupil Transportation	679,764	655,605	620,861	34,744
Central	48,254	49,701	44,795	4,906
Extracurricular Activities	220,105	226,311	214,054	12,257
Debt Service:				
Principal Retirement	0	112,161	112,161	0
Interest and Fiscal Charges	85,288	4,637	4,637	0
<i>Total Expenditures</i>	<u>17,354,214</u>	<u>17,756,924</u>	<u>16,528,652</u>	<u>1,228,272</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,238,378)</u>	<u>(1,539,517)</u>	<u>(310,910)</u>	<u>1,228,607</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	43,879	43,879	0
Advances Out	(50,000)	(50,000)	(15,306)	34,694
Transfers In	0	8,450	0	(8,450)
Transfers Out	(10,000)	(10,000)	0	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(60,000)</u>	<u>(7,671)</u>	<u>28,573</u>	<u>36,244</u>
<i>Net Change in Fund Balance</i>	<u>(1,298,378)</u>	<u>(1,547,188)</u>	<u>(282,337)</u>	<u>1,264,851</u>
<i>Fund Balance Beginning of Year</i>	2,866,144	2,866,144	2,866,144	0
Prior Year Encumbrances Appropriated	279,554	279,554	279,554	0
<i>Fund Balance End of Year</i>	<u>\$1,847,320</u>	<u>\$1,598,510</u>	<u>\$2,863,361</u>	<u>\$1,264,851</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2011*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$81,558	\$25,870
<b>Liabilities</b>		
Due to Students	0	\$25,870
<b>Net Assets</b>		
Held in Trust for Scholarships	\$81,558	

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*June 30, 2012*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$36
<b>Deductions</b>	
Scholarships Awarded	<u>750</u>
<i>Change in Net Assets</i>	(714)
Net Assets Beginning of Year	<u>82,272</u>
Net Assets End of Year	<u><u>\$81,558</u></u>

See accompanying notes to the basic financial statements

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## **Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Note 1 - Description of the School District**

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

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 58 square miles. It is located in Ashtabula County. It is staffed by 86 non-certified employees and 138 certified full-time teaching and administrative personnel who provide services to 1,839 students and other community members. The School District currently operates four instructional buildings and a bus garage.

#### ***Reporting Entity***

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

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

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

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

## Conneaut Area City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### ***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School 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 School District.

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

### ***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

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

## Conneaut Area City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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**Permanent Improvement Fund** The permanent improvement fund accounts for and reports property tax revenues that are restricted for capital outlay and facility improvement.

**Bond Retirement Fund** The bond retirement fund accounts for and reports property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

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

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

### **Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

### **Basis of Accounting**

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

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal 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 are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

## Conneaut Area City School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012*

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Nonexchange transactions, in which the School 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

#### ***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds, except the general fund, without resolution by the Board of Education.

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

## **Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

### ***Cash and Cash Equivalents***

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

During fiscal year 2012, investments were limited to STAR Ohio. STAR 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 does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for at June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$3,236, which includes \$1,061 assigned from other School District funds.

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

### ***Inventory***

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

### ***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 19 for additional information regarding set asides.

### ***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

District maintains a capitalization threshold of three thousand dollars. The School 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:

Description	Governmental Activities Estimated Lives
Land Improvements	5 to 10 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	8 to 20 years
Vehicles	10 years
Textbooks and Library Books	6 years

***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 activities column of the statement of net assets.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

***Accrued Liabilities and Long-term Obligations***

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



## Conneaut Area City School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012*

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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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

#### ***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations, classroom facilities maintenance, special education and extracurricular activities.

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

#### ***Fund Balance***

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

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

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School 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 School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

## **Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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The School 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.

### ***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

### ***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 financial statements and accompanying notes. Actual results may differ from those estimates.

### **Note 3 – Change in Accounting Principles**

For fiscal year 2012, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination.” GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the School District's financial statements.

### **Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School 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:



**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

Fund Balances	General	Permanent Improvement	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>					
Inventory	\$48,712	\$0	\$0	\$894	\$49,606
<b><i>Restricted for</i></b>					
Food Service	0	0	0	215,297	215,297
Permanent Improvement	0	1,310,054	0	0	1,310,054
Debt Service	0	0	1,800,409	0	1,800,409
Classroom Facilities	0	0	0	217,221	217,221
Other Purposes	0	0	0	1,408,549	1,408,549
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,310,054</b>	<b>1,800,409</b>	<b>1,841,067</b>	<b>4,951,530</b>
<b><i>Assigned to</i></b>					
Fiscal Year 2013 Operations	2,101,183	0	0	0	2,101,183
School Maintenance	1,275,000	0	0	0	1,275,000
Other Purposes	163,315	0	0	0	163,315
<b><i>Total Assigned</i></b>	<b>3,539,498</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,539,498</b>
<b><i>Unassigned (Deficit)</i></b>	<b>432,475</b>	<b>0</b>	<b>0</b>	<b>(156,501)</b>	<b>275,974</b>
<b><i>Total Fund Balance</i></b>	<b>\$4,020,685</b>	<b>\$1,310,054</b>	<b>\$1,800,409</b>	<b>\$1,685,460</b>	<b>\$8,816,608</b>

**Note 5 - Budgetary Basis of Accounting**

While the School District is 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 Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed, or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the public school support and workers' compensation funds are reclassified to the general fund for GAAP reporting.

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general and major special revenue funds.

	<u>General</u>
GAAP Basis	(\$4,332)
Net Adjustment for Revenue Accruals	(380)
Advances In	43,879
Net Adjustment for Expenditure Accruals	(159,817)
Advances Out	(15,306)
Perspective Differences:	
Public School Support	9,188
Workers' Compensation	(2,500)
Encumbrances	<u>(153,069)</u>
Budget Basis	<u><u>(\$282,337)</u></u>

**Note 6 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of 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, 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 securities listed above;

## Conneaut Area City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

### Deposits

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,448,603 of the School District's bank balance of \$3,024,094 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School 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 and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### Investments

As of June 30, 2012, the School District had \$6,427,580 invested in STAROhio, which has an average maturity of 52.5 days.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

## Conneaut Area City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. All of the School District's investments are in STAR Ohio.

### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 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 School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 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 revenue.

The amount available as an advance at June 30, 2012 was \$1,448,473 in the general fund, \$202,191 in the bond retirement debt service fund, \$77,779 in the permanent improvement capital projects fund and \$25,926 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011 was \$1,522,643 in the general fund, \$224,711 in the bond retirement debt service fund, \$80,795 in the permanent improvement capital projects fund and \$26,392 in the classroom facilities maintenance special revenue fund.

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

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$192,755,690	96.72 %	\$180,694,870	96.39 %
Public Utility Personal	<u>6,540,640</u>	<u>3.28</u>	<u>6,761,460</u>	<u>3.61</u>
Total	<u>\$199,296,330</u>	<u>100.00 %</u>	<u>\$187,456,330</u>	<u>100.00 %</u>
Tax Rate per \$1,000 of Assessed Valuation	\$36.40		\$36.40	

**Note 8 - Receivables**

Receivables at June 30, 2012, consisted of taxes, accounts (student fees and tuition), and intergovernmental grants. 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 fiscal year guarantee of Federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Title I Grant	\$305,743
Classroom Reduction Grant	45,503
Early Childhood Education Grant	22,510
Education Jobs Grant	12,931
Race to the Top Grant	11,835
Miscellaneous Federal Grants	7,569
Preschool Disabilities Grant	4,775
Technology IID Grant	629
Drug Free Schools Grant	<u>34</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$411,529</u></u>

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 06/30/11	Additions	Deductions	Balance 06/30/11
<b>Governmental Activities</b>				
<b><i>Capital Assets not being Depreciated:</i></b>				
Land	\$1,020,916	\$0	\$0	\$1,020,916
Construction in Progress	1,555,445	102,301	0	1,657,746
<b><i>Total Capital Assets not being Depreciated</i></b>	<b>2,576,361</b>	<b>102,301</b>	<b>0</b>	<b>2,678,662</b>
<b><i>Capital Assets being Depreciated:</i></b>				
Land Improvements	2,088,632	0	0	2,088,632
Buildings and Improvements	45,383,523	0	0	45,383,523
Furniture and Equipment	2,576,943	0	0	2,576,943
Vehicles	1,414,061	75,325	(40,000)	1,449,386
Textbooks and Library Books	1,107,757	0	0	1,107,757
<b><i>Total Capital Assets being Depreciated</i></b>	<b>52,570,916</b>	<b>75,325</b>	<b>(40,000)</b>	<b>52,606,241</b>
Less Accumulated Depreciation:				
Land Improvements	(664,658)	(105,020)	0	(769,678)
Buildings and Improvements	(12,206,014)	(1,304,205)	0	(13,510,219)
Furniture and Equipment	(1,275,695)	(127,821)	0	(1,403,516)
Vehicles	(1,071,006)	(80,257)	40,000	(1,111,263)
Textbooks and Library Books	(1,093,919)	(13,838)	0	(1,107,757)
<b><i>Total Accumulated Depreciation</i></b>	<b>(16,311,292)</b>	<b>(1,631,141) *</b>	<b>40,000</b>	<b>(17,902,433)</b>
<b><i>Total Assets being Depreciated, Net</i></b>	<b>36,259,624</b>	<b>(1,555,816)</b>	<b>0</b>	<b>34,703,808</b>
<b><i>Governmental Activities Capital Assets, Net</i></b>	<b>\$38,835,985</b>	<b>(\$1,453,515)</b>	<b>\$0</b>	<b>\$37,382,470</b>

\* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,481,558
Special	314
Vocational	4,790
Support Services:	
Pupils	1,307
Instructional Staff	16,116
Administration	1,336
Operation and Maintenance of Plant	21,541
Pupil Transportation	70,658
Central	378
Extracurricular Activities	3,323
Operation of Non-Instructional Services:	
Food Service Operations	29,820
<b>Total Depreciation Expense</b>	<b>\$1,631,141</b>

## Conneaut Area City School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012

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### Note 10 - Interfund Balances

Interfund balances at June 30, 2012, consist of an interfund receivable/payable between the general fund and the nonmajor governmental funds in the amount of \$15,306. These loans were made to support programs and projects in various special revenue funds pending the receipt of grant money that will be used to repay the loans. These loans are expected to be repaid in one year.

### Note 11 - Risk Management

#### *Property and Liability*

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Schools of Ohio Risk Sharing Authority for various types of insurance. Coverage is as follows:

Coverage	Amount
Building and Business Property (\$1,000 Deductible)	\$77,798,949
Equipment Breakdown (\$1,000 Deductible)	50,000,000
Crime Coverage (\$1,000 Deductible)	100,000
Educator's Legal Liability (\$5,000 Deductible)	12,000,000
Automobile Liability (\$0 Deductible)	12,000,000
General Liability (\$0 Deductible)	12,000,000

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

#### *Employee Medical Benefits*

The School District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 18) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees pay monthly premiums in the amount of \$100 for family and \$39 for single coverage. Classified employees pay monthly premiums of \$14.29 for family and \$5.63 for single for dental benefits.

#### *Worker's Compensation*

For fiscal year 2012, workers' compensation coverage is provided by the State of Ohio. The School pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.



## **Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Note 12 - Pension Plans**

#### ***School Employee Retirement System***

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$279,485, \$265,541 and \$291,506, respectively. For fiscal year 2012, 51.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

#### ***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.



## Conneaut Area City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$1,092,603 and \$34,367 for the fiscal year ended June 30, 2012, \$1,109,178 and \$34,662 for the fiscal year ended June 30, 2011, and \$1,033,869 and \$38,892 for the fiscal year ended June 30, 2010. For fiscal year 2012, 81.11 percent has been contributed for the DB plan and 81.11 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012 were \$2,599 made by the School District and \$1,857 made by the plan members. In addition, member contributions of \$24,548 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

### **Note 13 - Postemployment Benefits**

#### ***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$30,979 in surcharge.

## Conneaut Area City School District

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012*

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Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$12,104, \$32,153, and \$28,830, respectively. For fiscal year 2012, 51.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$16,505, \$17,088, and \$17,390, respectively. For fiscal year 2012, 51.25 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

#### ***State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$82,453, \$82,655, and \$83,160 respectively. For fiscal year 2012, 81.11 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

#### **Note 14 – Other Employee Benefits**

##### ***Compensated Absences***

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave accumulates during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 315 days, and for classified employees it is 300 days. For all employees, retirement severance is paid to each employee retiring from the School District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 60 days for certified and classified employees.

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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***Insurance***

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

***Health Insurance Benefits***

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

**Note 15 - Contingencies**

***Grants***

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

***Litigation***

As of June 30, 2012, the School District was not party to any legal proceedings.

**Note 16 - Long-Term Obligations**

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2011 Classroom Facilities Improvement Refunding Bonds:			
Capital Interest Serial Bonds	1.00% to 4.00%	\$4,535,000	2023
Capital Appreciation Bonds	4.00%	94,999	2016
Energy Conservation Improvement Bonds:			
Current Issue Term Bonds	5.150%	1,712,161	2023
2012 Bleacher Loan	3.00%	280,000	2017

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<b>Governmental Activities</b>					
<b>General Obligation Bonds:</b>					
Classroom Facilities Improvement					
Refunding Bonds					
Serial Bonds	\$4,505,000	\$0	\$330,000	\$4,175,000	\$335,000
Capital Appreciation Bonds	94,999	0	0	94,999	0
Accretion	25,086	30,509	0	55,595	0
Premium	201,502	0	16,120	185,382	0
Accounting Loss	(103,898)	0	(8,312)	(95,586)	0
<i>Total Classroom Facilities Refunding Bonds</i>	<u>4,722,689</u>	<u>30,509</u>	<u>337,808</u>	<u>4,415,390</u>	<u>335,000</u>
Energy Conservation Improvement Bonds	1,712,161	0	112,161	1,600,000	110,000
<i>Total General Obligation Bonds</i>	<u>6,434,850</u>	<u>30,509</u>	<u>449,969</u>	<u>6,015,390</u>	<u>445,000</u>
<b>Other Long Term Obligations</b>					
Bleacher Loan	0	280,000	56,000	224,000	0
Compensated Absences	1,063,904	130,619	45,870	1,148,653	45,259
<i>Total General Long-Term Obligations</i>	<u>\$7,498,754</u>	<u>\$441,128</u>	<u>\$551,839</u>	<u>\$7,388,043</u>	<u>\$490,259</u>

Compensated absences will be paid from the general fund and the food service, early childhood education, title VI-B, title I, classroom reduction and miscellaneous federal grants special revenue funds.

On July 20, 2010, the School District issued \$4,629,999 in general obligation bonds to refund the classroom facilities improvement bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$4,535,000 and \$94,999, respectively. The bonds were issued for a fourteen year period with a final maturity at December 1, 2023. The final maturity amount of outstanding capital appreciation bonds at June 30, 2012, is \$365,000. The accretion recorded for 2012 was \$30,509, for a total outstanding bond liability of \$150,594. The bonds will be retired from the debt service fund.

The bonds were sold at a premium of \$216,279. Net proceeds of \$4,741,516 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2012, \$4,365,000 of the defeased bonds are still outstanding.

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

**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

To the extent that the School District fails to expend for federal tax law purposes all of the available project proceeds of the bonds within three years, the bonds shall be subject to extraordinary mandatory redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus any interest accrued to the redemption date, to preserve the Tax Status of the bonds as Direct Payment QSCBs.

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

Year	Amount
2012	\$110,000
2013	110,000
2014	115,000
2015	115,000
2016	115,000
2017	115,000
2018	115,000
2019	115,000
2020	115,000
2021	115,000
2022	115,000
2023	115,000
2024	115,000
Total	<u>\$1,485,000</u>

The remaining principal amount of the term bonds (\$115,000) will mature at the stated maturity on December 1, 2025.

On December 9, 2011, the School District received a loan of \$280,000 from the Conneaut Savings Bank for the purpose of paying the remaining costs of the bleacher project. This loan will be repaid from donations received in the local grants fund.

The School District's overall debt margin was \$11,930,776 with an unvoted debt margin of \$180,271 at June 30, 2012. Principal and interest requirements to retire the general obligation bonds follow:

	General Obligation Bonds							
	Serial		Capital Appreciation		Term		Bleacher Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$335,000	\$123,828	\$0	\$0	\$110,000	\$79,568	\$0	\$6,258
2014	340,000	117,128	0	0	110,000	73,903	56,000	5,880
2015	350,000	110,328	0	0	115,000	68,109	56,000	4,200
2016	355,000	103,328	0	0	115,000	62,187	56,000	2,520
2017	0	95,518	94,999	270,001	115,000	56,264	56,000	840
2018-2022	1,930,000	361,866	0	0	575,000	192,482	0	0
2023-2026	865,000	50,606	0	0	460,000	47,381	0	0
Total	<u>\$4,175,000</u>	<u>\$962,602</u>	<u>\$94,999</u>	<u>\$270,001</u>	<u>\$1,600,000</u>	<u>\$579,894</u>	<u>\$224,000</u>	<u>\$19,698</u>

## Conneaut Area City School District

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **Note 17 - Jointly Governed Organizations**

***Ashtabula County Joint Vocational School District*** – The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the Vocational School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from Mary Ann Wayman, Treasurer at the Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

***Northeast Ohio Management Information Network (NEOMIN)*** – The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among 30 school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Service Centers. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$32,619 to NEOMIN during fiscal year 2012.

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

### **Note 18 – Public Entity Risk Pools**

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

### **Note 19 - Set-Aside Calculations**

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



**Conneaut Area City School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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

	<u>Capital Improvements</u>
Set -aside Cash Balance as of June 30, 2011	\$0
Current Year Set-aside Requirement	339,415
Current Year Offsets	(330,000)
Qualifying Expenditures	<u>(65,205)</u>
Totals	<u>(\$55,790)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Set-aside Balance as of June 30, 2012	<u>\$0</u>

The School District has qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. The negative set-aside balance for the capital improvements may not be used to reduce the set-aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 20 – Accountability**

At June 30, 2012, the following funds had deficit fund balances:

<u>Fund</u>	<u>Fund Balance</u>
<b><i>Special Revenue Funds</i></b>	
Early Childhood Education	(\$3,679)
Education Jobs	(103,327)
Race to the Top	(9,599)
Title I	(30,094)
Class Size Reduction	<u>(9,802)</u>
Total	<u>(\$156,501)</u>

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	n/a	10.553	\$ 115,187	\$ -	\$ 115,187	\$ -
National School Lunch Program	n/a	10.555	423,606	40,858	423,606	40,858
Special Milk Program for Children	n/a	10.556	50		50	
<b>Total -- Nutrition Cluster / U.S. Department of Agriculture</b>			<b>538,843</b>	<b>40,858</b>	<b>535,843</b>	<b>40,858</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One Cluster:</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	2011	84.010	91,615		78,052	
Literacy Initiative	2012		509,815		514,899	
Title I Literacy Initiative	2011		4,904		1,316	
ARRA - Title I School Subsidy	ARRA 2011	84.389	20,178		20,418	
<b>Total -- Title I Cluster</b>			<b>626,512</b>		<b>614,685</b>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2011	84.027	63,906		59,593	
	2012		339,682		150,531	
Early Childhood Special Education	2011	84.173	5,291		4,194	
	2012		18,018		18,017	
ARRA - Early Childhood Special Education	ARRA 2011	84.392	2,328		2,328	
ARRA - IDEA Part B	ARRA 2011	84.391	13,570		15,625	
<b>Total - Special Education Cluster</b>			<b>442,795</b>		<b>250,288</b>	
Safe and Drug Free Schools Grant	2011	84.186	604		604	
	2012		1,485		1,485	
<b>Total - Safe and Drug Free Schools Grant</b>			<b>2,089</b>		<b>2,089</b>	
Title II-D -- Technology Literacy Challenge Fund Grants	2011	84.318	1,632		1,611	
	2012		5,720		5,389	
<b>Total - Title II - D</b>			<b>7,352</b>		<b>7,000</b>	
<b>Reading First State Grants</b>	2011	84.357	<b>17,443</b>		<b>15,502</b>	
<b>Education Jobs</b>	2012	84.410	<b>637,462</b>		<b>645,468</b>	
Rural Education Grant	2011	84.358	8,391		8,391	
	2012		28,666		28,664	
<b>Total Rural Education Grant</b>			<b>37,057</b>		<b>37,055</b>	
Title II, Part A -- Improving Teacher Quality	2011	84.367	24,804		27,511	
	2012		124,688		124,630	
<b>Total - Title II Part A</b>			<b>149,492</b>		<b>152,141</b>	
<b>ARRA State Fiscal Stabilization Fund</b>	2011	84.394	-		<b>171,175</b>	
ARRA - Race-to-the-Top Incentive Grants	ARRA 2011	84.395	(593)		-	
	ARRA 2012		113,487		113,633	
<b>Total ARRA - Race-to-the-Top Incentive Grants</b>			<b>112,894</b>		<b>113,633</b>	
<b>Total -- U.S. Department of Education</b>			<b>2,033,096</b>		<b>2,009,036</b>	
<b>Totals</b>			<b>\$ 2,571,939</b>	<b>\$ 40,858</b>	<b>\$ 2,547,879</b>	<b>\$ 40,858</b>

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



**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Conneaut Area City School District (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - 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 C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E – TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2011 to 2012 programs:

<u>CFDA#</u>	<u>Program Title</u>	<u>Grant Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.395	Race to the Top ARRA	2011	593	
84.395	Race to the Top ARRA	2012		593

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# Dave Yost • Auditor of State

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

Conneaut Area City School District  
Ashtabula County  
400 Mill Street, Suite B  
Conneaut, Ohio 44030

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conneaut Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 7, 2013.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 7, 2013



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Conneaut Area City School District  
Ashtabula County  
400 Mill Street, Suite B  
Conneaut, Ohio 44030

To The Board of Education:

### Compliance

We have audited the compliance of Conneaut Area City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Conneaut Area City School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Conneaut Area City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management, the audit committee, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 7, 2013

**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Title One and Title One ARRA Education Jobs Race to the Top ARRA	<u>CFDA #</u> 84.010 and 84.389 84.410 84.395
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

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

None

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CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2011-01	Under statement of Contracts Payables	Yes	

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# Dave Yost • Auditor of State

CONNEAUT AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 14, 2013