

Conotton Valley Union Local School District

Harrison County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

Board of Education  
Conotton Valley Union Local School District  
21 Mound Street  
Sherrodsville, Ohio 44675

We have reviewed the *Independent Auditor's Report* of the Conotton Valley Union Local School District, Harrison County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Conotton Valley Union Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 14, 2011

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Conotton Valley Union Local School District  
Harrison County, Ohio

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### Independent Auditor's Report

Members of the Board of Education  
Conotton Valley Union Local School District  
21 Mound Street  
Sherrodsville, OH 44675

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Conotton Valley Union Local School District, Harrison County Ohio, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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, the major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

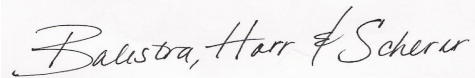
In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board of Education  
Conotton Valley Union Local School District  
Independent Auditor's Report  
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as 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. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51 *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, and GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.  
March 4, 2011

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The management's discussion and analysis of the Conotton Valley Union Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$453,634, which represents a 32.96% decrease from 2009.
- General revenues accounted for \$4,646,485 in revenue or 79.43% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,203,013 or 20.57% of total revenues of \$5,849,498.
- The District had \$6,303,132 in expenses related to governmental activities; \$1,203,013 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,646,485 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$4,906,781 in revenues and \$5,297,673 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$390,892 from \$990,104 to \$599,212.

**Using these Basic Financial Statements**

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

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**The District as a Whole**

The table below provides a summary of the District's net assets for 2010 and 2009.

	<b>Net Assets</b>	
	Governmental Activities 2010	Governmental Activities 2009
<b><u>Assets</u></b>		
Current and other assets	\$ 3,254,942	\$ 3,521,050
Capital assets, net	488,034	543,772
Total assets	3,742,976	4,064,822
<b><u>Liabilities</u></b>		
Current liabilities	2,555,362	2,383,686
Long-term liabilities	264,774	304,662
Total liabilities	2,820,136	2,688,348
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	471,997	512,927
Restricted	257,477	224,922
Unrestricted	193,366	638,625
Total net assets	\$ 922,840	\$ 1,376,474

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$922,840. Of this total, \$193,366 is unrestricted in use.

At year end, capital assets represented 13.04% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$471,997. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

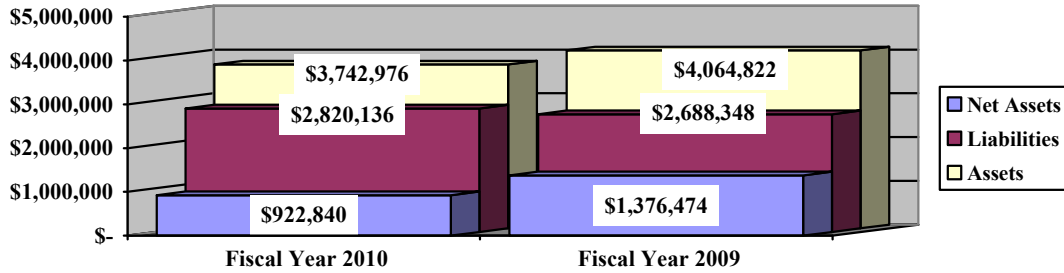
A portion of the District's net assets, \$257,477, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$193,366 may be used to meet the District's ongoing obligations to the students and creditors.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2010 and 2009:

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2010 and 2009.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 432,745	\$ 413,498
Operating grants and contributions	770,268	660,681
Capital grants and contributions	-	7,500
General revenues:		
Property taxes	1,918,434	1,760,456
Grants and entitlements	2,720,109	2,554,333
Investment earnings	3,625	24,938
Other	4,317	12,960
Total revenues	<u>5,849,498</u>	<u>5,434,366</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Change in Net Assets**

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	2,646,019	2,620,909
Special	729,007	671,648
Vocational	70,857	70,600
Other	18,979	20,063
Support services:		
Pupil	227,541	223,039
Instructional staff	335,163	313,007
Board of education	17,892	14,088
Administration	589,535	564,111
Fiscal	231,269	215,706
Business	11	-
Operations and maintenance	469,541	495,602
Pupil transportation	497,375	491,063
Central	26,096	26,877
Operation of non-instructional services:		
Food service operations	283,711	270,044
Extracurricular activities	158,204	131,247
Interest and fiscal charges	<u>1,932</u>	<u>3,067</u>
Total expenses	<u>6,303,132</u>	<u>6,131,071</u>
Change in net assets	(453,634)	(696,705)
Net assets at beginning of year	<u>1,376,474</u>	<u>2,073,179</u>
Net assets at end of year	<u>\$ 922,840</u>	<u>\$ 1,376,474</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$453,634. Total governmental expenses of \$6,303,132 were offset by program revenues of \$1,203,013 and general revenues of \$4,646,485. Program revenues supported 19.09% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 79.30% of total governmental revenue.

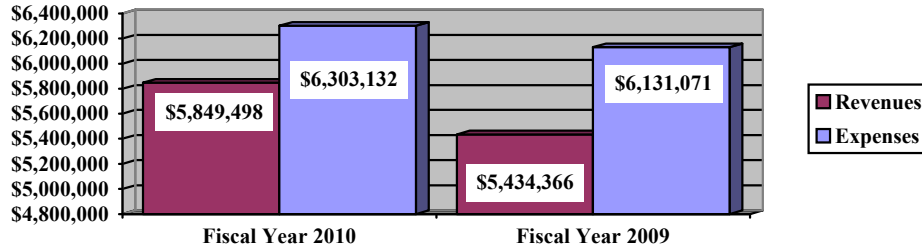
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,464,862 or 54.97% of total governmental expenses for fiscal year 2010.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,646,019	\$ 2,257,611	\$ 2,620,909	\$ 2,298,843
Special	729,007	364,685	671,648	262,763
Vocational	70,857	68,957	70,600	68,714
Other	18,979	18,979	20,063	20,063
Support services:				
Pupil	227,541	227,541	223,039	223,039
Instructional staff	335,163	251,693	313,007	283,429
Board of education	17,892	17,892	14,088	14,088
Administration	589,535	504,475	564,111	540,877
Fiscal	231,269	226,269	215,706	210,706
Business	11	2	-	-
Operations and maintenance	469,541	469,541	495,602	494,634
Pupil transportation	497,375	497,375	491,063	479,990
Central	26,096	19,237	26,877	17,877
Operation of non-instructional services:				
Food service operations	283,711	64,438	270,044	62,291
Extracurricular activities	158,204	109,492	131,247	69,011
Interest and fiscal charges	1,932	1,932	3,067	3,067
<b>Total expenses</b>	<u>\$ 6,303,132</u>	<u>\$ 5,100,119</u>	<u>\$ 6,131,071</u>	<u>\$ 5,049,392</u>

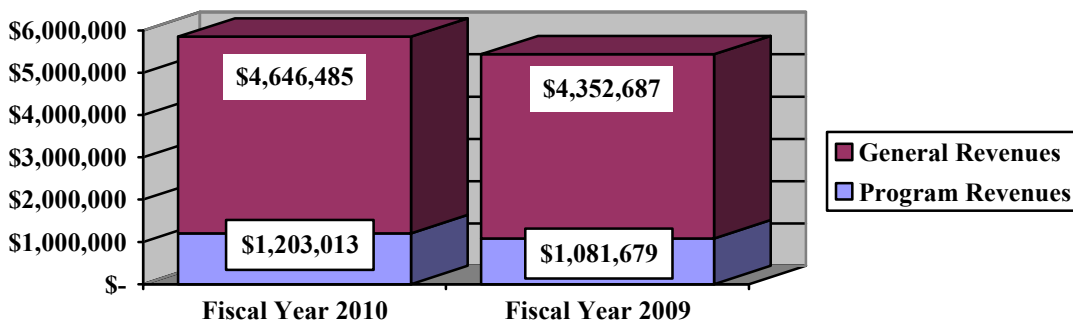
**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 78.22% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.91%. The District's taxpayers and grants and entitlements not restricted to specific programs, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$556,707, which is lower than last year's total of \$1,003,167. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance (deficit) <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>Decrease</u>	<u>Percentage Change</u>
General	\$ 599,212	\$ 990,104	\$ (390,892)	(39.48) %
Other Governmental	(42,505)	13,063	(55,568)	(425.38) %
Total	<u>\$ 556,707</u>	<u>\$ 1,003,167</u>	<u>\$ (446,460)</u>	(44.51) %

An analysis of the general fund revenues and expenditures is provided in the section below. The decrease in the fund balances of the other governmental funds is primarily due to an \$80,590 decrease in the fund balance of the Title VI-B fund (a nonmajor governmental fund). The decrease in the Title VI-B fund (a nonmajor governmental fund) is the result of expenditures exceeding revenues during the fiscal year.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

***General Fund***

The District's general fund balance decreased \$390,892.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,882,399	\$ 1,667,648	\$ 214,751	12.88 %
Earnings on investments	3,625	24,938	(21,313)	(85.46) %
Intergovernmental	2,709,135	2,745,681	(36,546)	(1.33) %
Tuition	307,305	276,423	30,882	11.17 %
Other revenues	<u>4,317</u>	<u>12,960</u>	<u>(8,643)</u>	<u>(66.69) %</u>
<b>Total</b>	<b><u>\$ 4,906,781</u></b>	<b><u>\$ 4,727,650</u></b>	<b><u>\$ 179,131</u></b>	<b>3.79 %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 2,986,759	\$ 3,077,194	\$ (90,435)	(2.94) %
Support services	2,128,927	2,150,916	(21,989)	(1.02) %
Extracurricular activities	100,247	85,545	14,702	17.19 %
Facilities acquisition and construction	-	15,335	(15,335)	100.00 %
Debt service	<u>16,740</u>	<u>16,740</u>	<u>-</u>	<u>- %</u>
<b>Total</b>	<b><u>\$ 5,232,673</u></b>	<b><u>\$ 5,345,730</u></b>	<b><u>\$ (113,057)</u></b>	<b>(2.11) %</b>

Revenues of the general fund increased \$179,131 or 3.79%. Tax revenue increased \$214,751. This increase is due mainly to more taxes being collected during fiscal year 2010. The decrease of \$21,313 in earnings on investments is the result of decreased interest rates earned on investments due to the poor economic conditions. Tuition increased \$30,882 due to an increase in open enrollment from prior years. Other revenues decreased \$8,643 due to the district receiving fewer donations and contributions.

Expenditures of the general fund decreased \$113,057 or 2.11%. Instructional services decreased \$90,435 or 2.94%. This decrease is due to a decrease in special and other expenditures during fiscal year 2010. There were no facilities acquisitions and construction expenses in the general fund during fiscal year 2010.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2010, the District did not amend its general fund budget. For the general fund, original and final budgeted revenues were \$4,736,000. Actual revenues and other financing sources for fiscal year 2010 was \$4,925,176. This represents a \$189,176 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$6,015,158 stayed the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$5,306,601, which was \$708,557 less than the original budget appropriations.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2010, the District had \$488,034 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2010 balances compared to 2009:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 75,820	\$ 75,820
Construction in progress	24,081	-
Land improvements	76,095	80,535
Building and improvements	151,976	156,546
Furniture and equipment	65,498	77,217
Vehicles	94,564	153,654
Total	\$ 488,034	\$ 543,772

The overall decrease in capital assets of \$55,738 is due to depreciation expense of \$97,426 and disposals (net of accumulated depreciation) of \$2,944 exceeding capital outlays of \$44,632.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2010, the District had a capital lease obligation in the amount of \$16,037. This entire amount is due in one year.

At June 30, 2010, the District's overall legal debt margin was \$6,168,504, and an unvoted debt margin of \$68,539.

See Note 10 to the basic financial statements for additional information on the District's debt administration.



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)**

**Current Financial Related Activities**

For fiscal year 2011, the District will be able to meet its obligations. The District relies upon property taxes and the state foundation program. Our property tax revenue collection is expected to increase only slightly in fiscal year 2011 due to the poor economy. This tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2011. The future financial stability of the District is not without challenges. In November 2009, voters passed two levies on the ballot; one, an emergency levy renewal, and two, a permanent improvement levy replacement. While passage of the renewal and replacement levies were crucial to the District's future financial stability, District voters saw a new 8.87 mill emergency levy on the November 2010 ballot, which did not pass.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Debra Henry, Treasurer, Conotton Valley Union Local School District, 21 Mound Street, P.O. Box 187, Sherrodsville, Ohio 44675.

BASIC  
FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,133,718
Receivables:	
Taxes . . . . .	2,068,741
Intergovernmental . . . . .	28,632
Prepayments . . . . .	20,787
Materials and supplies inventory. . . . .	3,064
Capital assets:	
Land and construction in progress. . . . .	99,901
Depreciable capital assets, net. . . . .	388,133
Capital assets, net . . . . .	488,034
Total assets. . . . .	3,742,976
<b>Liabilities:</b>	
Accounts payable. . . . .	4,827
Accrued wages and benefits . . . . .	495,540
Pension obligation payable. . . . .	112,923
Intergovernmental payable . . . . .	25,902
Unearned revenue . . . . .	1,916,170
Long-term liabilities:	
Due within one year. . . . .	28,035
Due in more than one year . . . . .	236,739
Total liabilities . . . . .	2,820,136
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	471,997
Restricted for:	
Capital projects . . . . .	57,972
State funded programs. . . . .	8
Federally funded programs . . . . .	365
Student activities . . . . .	15,852
Other purposes . . . . .	183,280
Unrestricted. . . . .	193,366
Total net assets . . . . .	\$ 922,840

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,646,019	\$ 314,038	\$ 74,370	\$ (2,257,611)
Special . . . . .	729,007	3,176	361,146	(364,685)
Vocational . . . . .	70,857	-	1,900	(68,957)
Other . . . . .	18,979	-	-	(18,979)
Support services:				
Pupil . . . . .	227,541	-	-	(227,541)
Instructional staff . . . . .	335,163	-	83,470	(251,693)
Board of education . . . . .	17,892	-	-	(17,892)
Administration . . . . .	589,535	4,403	80,657	(504,475)
Fiscal . . . . .	231,269	-	5,000	(226,269)
Business . . . . .	11	3	6	(2)
Operations and maintenance . . . . .	469,541	-	-	(469,541)
Pupil transportation . . . . .	497,375	-	-	(497,375)
Central . . . . .	26,096	-	6,859	(19,237)
Operation of non-instructional services:				
Food service operations . . . . .	283,711	71,584	147,689	(64,438)
Extracurricular activities . . . . .	158,204	39,541	9,171	(109,492)
Interest and fiscal charges . . . . .	1,932	-	-	(1,932)
Total governmental activities . . . . .	<u>\$ 6,303,132</u>	<u>\$ 432,745</u>	<u>\$ 770,268</u>	<u>(5,100,119)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	1,868,827
Capital projects . . . . .	49,607
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	3,625
Miscellaneous . . . . .	4,317
Total general revenues . . . . .	<u>4,646,485</u>
Change in net assets . . . . .	(453,634)
<b>Net assets at beginning of year . . . . .</b>	<u>1,376,474</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 922,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 853,306	\$ 102,393	\$ 955,699
Receivables:			
Taxes. . . . .	1,992,297	76,444	2,068,741
Intergovernmental . . . . .	-	28,632	28,632
Prepayments. . . . .	20,787	-	20,787
Materials and supplies inventory. . . . .	-	3,064	3,064
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	178,019	-	178,019
Total assets . . . . .	<u>\$ 3,044,409</u>	<u>\$ 210,533</u>	<u>\$ 3,254,942</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 4,827	\$ -	\$ 4,827
Accrued wages and benefits. . . . .	423,329	72,211	495,540
Pension obligation payable . . . . .	103,845	9,078	112,923
Intergovernmental payable . . . . .	21,205	4,697	25,902
Deferred revenue . . . . .	110,797	32,076	142,873
Unearned revenue. . . . .	1,781,194	134,976	1,916,170
Total liabilities. . . . .	<u>2,445,197</u>	<u>253,038</u>	<u>2,698,235</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	1,884	47,106	48,990
Reserved for materials and supplies inventory. . . . .	-	3,064	3,064
Reserved for prepayments. . . . .	20,787	-	20,787
Reserved for property tax unavailable for appropriation . . . . .	100,306	3,065	103,371
Reserved for textbooks/instructional materials . . . . .	138,753	-	138,753
Reserved for capital acquisition . . . . .	39,266	-	39,266
Unreserved, undesignated (deficit) reported in:			
General fund. . . . .	298,216	-	298,216
Special revenue funds . . . . .	-	(108,996)	(108,996)
Capital projects funds . . . . .	-	13,256	13,256
Total fund balances (deficits) . . . . .	<u>599,212</u>	<u>(42,505)</u>	<u>556,707</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,044,409</u>	<u>\$ 210,533</u>	<u>\$ 3,254,942</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010

<b>Total governmental fund balances</b>		\$	556,707
<i>Amounts reported for governmental activities on 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.			488,034
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	114,241	
Intergovernmental receivable		<u>28,632</u>	
Total			142,873
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(248,737)	
Capital lease obligation		<u>(16,037)</u>	
Total			<u>264,774</u>
<b>Net assets of governmental activities</b>		\$	<u><u>1,452,388</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 1,882,399	\$ 49,740	\$ 1,932,139
Tuition . . . . .	307,305	-	307,305
Charges for services . . . . .	-	71,587	71,587
Earnings on investments . . . . .	3,625	-	3,625
Extracurricular . . . . .	-	53,853	53,853
Contributions and donations . . . . .	-	6,400	6,400
Other local revenues . . . . .	4,317	3,029	7,346
Intergovernmental - Intermediate . . . . .	-	2,999	2,999
Intergovernmental - State . . . . .	2,709,135	27,948	2,737,083
Intergovernmental - Federal . . . . .	-	712,234	712,234
Total revenue . . . . .	<u>4,906,781</u>	<u>927,790</u>	<u>5,834,571</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,577,335	85,828	2,663,163
Special . . . . .	320,716	379,358	700,074
Vocational . . . . .	69,729	-	69,729
Other . . . . .	18,979	-	18,979
Support services:			
Pupil . . . . .	227,510	-	227,510
Instructional staff . . . . .	237,862	96,132	333,994
Board of education . . . . .	17,454	-	17,454
Administration . . . . .	519,438	91,479	610,917
Fiscal . . . . .	223,480	6,898	230,378
Business . . . . .	-	11	11
Operations and maintenance . . . . .	463,146	5,840	468,986
Pupil transportation . . . . .	435,567	-	435,567
Central . . . . .	4,470	6,859	11,329
Operation of non-instructional services:			
Food service operations . . . . .	-	283,800	283,800
Extracurricular activities . . . . .	100,247	57,228	157,475
Facilities acquisition and construction . . . . .	-	34,925	34,925
Debt service:			
Principal retirement . . . . .	14,808	-	14,808
Interest and fiscal charges . . . . .	1,932	-	1,932
Total expenditures . . . . .	<u>5,232,673</u>	<u>1,048,358</u>	<u>6,281,031</u>
Excess of expenditures over revenues . . . . .	<u>(325,892)</u>	<u>(120,568)</u>	<u>(446,460)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	65,000	65,000
Transfers (out) . . . . .	<u>(65,000)</u>	<u>-</u>	<u>(65,000)</u>
Total other financing sources (uses) . . . . .	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
Net change in fund balances . . . . .	<u>(390,892)</u>	<u>(55,568)</u>	<u>(446,460)</u>
<b>Fund balances at beginning of year . . . . .</b>	<u>990,104</u>	<u>13,063</u>	<u>1,003,167</u>
<b>Fund balances (deficits) at end of year . . . . .</b>	<u>\$ 599,212</u>	<u>\$ (42,505)</u>	<u>\$ 556,707</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

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, 2010

**Net change in fund balances - total governmental funds** \$ (446,460)

*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 expense exceeded capital outlays in the current period.

Capital asset additions	\$	44,632	
Current year depreciation		<u>(97,426)</u>	
<b>Total</b>			<b>(52,794)</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (2,944)

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

Taxes		(13,705)	
Intergovernmental revenue		<u>28,632</u>	
<b>Total</b>			<b>14,927</b>

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 14,808

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. 18,829

**Change in net assets of governmental activities** \$ (453,634)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,841,500	\$ 1,841,500	\$ 1,900,795	\$ 59,295
Tuition. . . . .	253,000	253,000	307,304	54,304
Earnings on investments . . . . .	25,000	25,000	3,625	(21,375)
Other local revenues . . . . .	10,000	10,000	2,917	(7,083)
Intergovernmental - State . . . . .	2,606,500	2,606,500	2,709,135	102,635
Total revenue . . . . .	<u>4,736,000</u>	<u>4,736,000</u>	<u>4,923,776</u>	<u>187,776</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,796,420	2,756,270	2,568,913	187,357
Special. . . . .	483,500	478,400	333,974	144,426
Vocational. . . . .	72,300	72,800	69,681	3,119
Other. . . . .	49,000	49,500	18,976	30,524
Support services:				
Pupil. . . . .	248,450	248,750	227,414	21,336
Instructional staff . . . . .	331,400	319,700	243,899	75,801
Board of education . . . . .	18,100	19,100	17,454	1,646
Administration. . . . .	575,347	603,297	523,237	80,060
Fiscal . . . . .	235,180	237,380	224,216	13,164
Operations and maintenance. . . . .	536,256	547,756	465,125	82,631
Pupil transportation . . . . .	498,800	493,600	431,526	62,074
Central. . . . .	25,705	26,905	21,210	5,695
Extracurricular activities. . . . .	94,700	96,700	95,976	724
Total expenditures . . . . .	<u>5,965,158</u>	<u>5,950,158</u>	<u>5,241,601</u>	<u>708,557</u>
Excess of expenditures over revenues . . . . .	<u>(1,229,158)</u>	<u>(1,214,158)</u>	<u>(317,825)</u>	<u>896,333</u>
<b>Other financing sources (uses):</b>				
Transfers (out). . . . .	(50,000)	(65,000)	(65,000)	-
Sale of capital assets . . . . .	-	-	1,400	1,400
Total other financing sources (uses) . . . . .	<u>(50,000)</u>	<u>(65,000)</u>	<u>(63,600)</u>	<u>1,400</u>
Net change in fund balance . . . . .	(1,279,158)	(1,279,158)	(381,425)	897,733
<b>Fund balance at beginning of year . . . . .</b>	1,398,291	1,398,291	1,398,291	-
<b>Prior year encumbrances appropriated . . . . .</b>	7,748	7,748	7,748	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 126,881</u>	<u>\$ 126,881</u>	<u>\$ 1,024,614</u>	<u>\$ 897,733</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 200,825	\$ 23,097
Total assets . . . . .	<u>200,825</u>	<u>\$ 23,097</u>
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 23,097
Total liabilities . . . . .	<u>-</u>	<u>\$ 23,097</u>
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	<u>200,825</u>	
Total net assets . . . . .	<u>\$ 200,825</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest. . . . .	\$ 596
Total additions. . . . .	596
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,850
Change in net assets. . . . .	(2,254)
<b>Net assets at beginning of year . . . . .</b>	<b>203,079</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 200,825</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Conotton Valley Union Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is the 613<sup>th</sup> largest in the State of Ohio (among 905 public and community schools) in terms of total enrollment. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by State and/or federal agencies. This Board controls the District's 3 instructional/support facilities staffed by 37 classified and 47 certified full-time teaching personnel, who provide services to 553 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts and acts in the capacity of fiscal agent for OME-RESA.

Tuscarawas-Harrison County School Benefit Trust Health Consortium

The Tuscarawas-Harrison County School Benefit Trust Health Consortium (the "Trust") is a public entity shared risk pool consisting of the District and two County Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick and in some cases, dental, vision and prescription drug benefits to the employees of the participating entities. Each participating entity's Superintendent is appointed to an Administrative Committee which advises the Third-Party Administrator, Benefit Services, concerning aspects of the administration of the Trust. The Trust was dissolved as of June 30, 2010.

Each entity decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Benefit Services, 3636 Copley Rd. Suite 201, Akron, OH 44321.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*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 is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) food service operations; and (c) grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2010, but which were levied to finance fiscal year 2011 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows:

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. By no later than January 20, the Board-adopted budget is filed with the Harrison County Budget Commission for tax rate determination. The Harrison County Budget Commission waived this requirement for fiscal year 2010.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificate of estimated resources issued for fiscal year 2010.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for the general fund and for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

During fiscal year 2010, investments were limited to investments in the State Treasury Asset Reserve of Ohio (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 shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$3,625, which includes \$724 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at year end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. 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 deductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. 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. The District does not possess infrastructure.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2010.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and employees at any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, capital acquisition and textbooks/instructional materials. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for textbooks/instructional materials and capital acquisition.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish textbooks/instructional materials and capital acquisition reserves. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 16.

**Q. Interfund Activity**

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

**R. 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. Neither type of transaction occurred during fiscal year 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 25,588
Management information systems	62
Title VI-B	80,590
Education stabilization	3,603
Title I	6,177
Drug free schools	6
Class reduction	2,493

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 may be deposited or invested in the following securities:

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$1,026,413. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$789,720 of the District's bank balance of \$1,039,720 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 331,227	\$ 331,227

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio was rated AAAM and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 331,227	100.00

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,026,413
Investments	<u>331,227</u>
Total	<u>\$ 1,357,640</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,133,718
Private-purpose trust fund	200,825
Agency funds	<u>23,097</u>
Total	<u>\$ 1,357,640</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	<u>\$ 65,000</u>

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

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Harrison and Carroll Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$100,306 in the general fund and \$3,065 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$118,701 in the general fund and \$3,811 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end 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, 2010 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 unearned revenue.

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,466,980	91.46	\$ 62,421,450	91.07
Public utility personal	5,708,660	8.36	6,117,480	8.93
Tangible personal property	<u>126,260</u>	<u>0.18</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 68,301,900</u></b>	<b><u>100.00</u></b>	<b><u>\$ 68,538,930</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$48.69		 \$48.69	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 2,068,741
Intergovernmental	<u>28,632</u>
<b>Total</b>	<b><u>\$ 2,097,373</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/10</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,820	\$ -	\$ -	\$ 75,820
Construction in progress	-	24,081	-	24,081
Total capital assets, not being depreciated	<u>75,820</u>	<u>24,081</u>	<u>-</u>	<u>99,901</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	176,704	-	-	176,704
Buildings and improvements	1,095,615	5,109	-	1,100,724
Furniture and equipment	583,328	15,442	(7,828)	590,942
Vehicles	809,515	-	-	809,515
Total capital assets, being depreciated	<u>2,665,162</u>	<u>20,551</u>	<u>(7,828)</u>	<u>2,677,885</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(96,169)	(4,440)	-	(100,609)
Buildings and improvements	(939,069)	(9,679)	-	(948,748)
Furniture and equipment	(506,111)	(24,217)	4,884	(525,444)
Vehicles	(655,861)	(59,090)	-	(714,951)
Total accumulated depreciation	<u>(2,197,210)</u>	<u>(97,426)</u>	<u>4,884</u>	<u>(2,289,752)</u>
Governmental activities capital assets, net	<u>\$ 543,772</u>	<u>\$ (52,794)</u>	<u>\$ (2,944)</u>	<u>\$ 488,034</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 8,498
Vocational	599

Support services:

Instructional staff	109
Board of education	438
Administration	1,219
Fiscal	716
Operations and maintenance	7,089
Pupil transportation	62,832
Central	14,767
Extracurricular activities	729
Food service operations	<u>430</u>

Total depreciation expense \$ 97,426

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as central function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$71,572. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation is \$57,258 resulting in a carrying value of \$14,314. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2010 totaled \$14,808 and \$1,932, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	
2011	\$ 16,740
Total minimum lease payments	16,740
Less: Amount representing interest	<u>(703)</u>
Total	<u>\$ 16,037</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/10</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Capital lease obligation	\$ 30,845	\$ -	\$ (14,808)	\$ 16,037	\$ 16,037
Compensated absences	<u>273,817</u>	<u>34,966</u>	<u>(60,046)</u>	<u>248,737</u>	<u>11,998</u>
Total long-term obligations, governmental activities	<u>\$ 304,662</u>	<u>\$ 34,966</u>	<u>\$ (74,854)</u>	<u>\$ 264,774</u>	<u>\$ 28,035</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employees salaries are paid which, for the District, is primarily the general fund and the food service fund (a nonmajor governmental fund).

Capital Lease Obligation: The capital lease obligation is paid from the general fund. See Note 9 for more details.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$6,168,504 and an unvoted debt margin of \$68,539.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide/Wausau		
Each occurrence		\$ 2,000,000	No Deductible
Aggregate		4,000,000	No Deductible
Building and contents	Indiana Insurance Co.	16,860,364	1,000
Fleet:	Indiana Insurance Co.		
Liability		2,000,000	0
Collision		Actual Cash Basis Value	500
Uninsured motorist		1,000,000	500
Auto medical		5,000	0
Physical Damage:			
Comprehensive		Actual Cash Basis Value	100

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Group Health Insurance**

For fiscal year 2010, the District has elected to provide health care benefits to employees and administrators through the Tuscarawas-Harrison County School Benefit Trust Health Consortium. The Board pays the entire premium. The risk of loss transfers to the Consortium upon payment of the premium.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$79,793, \$54,686 and \$51,365, respectively; 46.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 may 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).



**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 12 - PENSION PLANS - (Continued)**

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 times 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 DC Plan and the DB 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$282,214, \$272,671 and \$261,355, respectively; 83.99 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$9,680 made by the District and \$6,914 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,618, \$34,141 and \$34,453, respectively; 46.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$4,745, \$4,512 and \$3,701, respectively; 46.83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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. 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 may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,709, \$20,975 and \$20,104, respectively; 83.99 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (381,425)
Net adjustment for revenue accruals	(16,995)
Net adjustment for expenditure accruals	2,217
Net adjustment for other sources/uses	(1,400)
Adjustment for encumbrances	<u>6,711</u>
GAAP basis	<u>\$ (390,892)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT  
HARRISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount 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 fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. For fiscal year 2010, the District was required to set-aside monies for textbooks/instructional materials and capital acquisition at fiscal year end. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2009	\$ 149,364	\$ 28,459
Current year set-aside requirement	80,168	80,168
Current year offsets	-	(50,486)
Qualifying disbursements	<u>(90,779)</u>	<u>(18,875)</u>
Total	<u>\$ 138,753</u>	<u>\$ 39,266</u>
Balance carried forward to fiscal year 2011	<u>\$ 138,753</u>	<u>\$ 39,266</u>
 A schedule of the restricted assets at June 30, 2010 follows:		
Amount restricted for textbooks/instructional materials	\$ 138,753	
Amount restricted for capital acquisition	<u>39,266</u>	
Total restricted assets	<u>\$ 178,019</u>	

The District did not have enough offsets and qualifying disbursements to reduce the set-aside amount below zero for the textbooks/instructional materials or the capital acquisition reserve.

**NOTE 17 - SUBSEQUENT EVENT**

Beginning July 1, 2010, the District joined the Ohio Schools Benefits Cooperative for health insurance purposes.

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2010, the District had the following contractual commitments outstanding related to the construction of a new modular unit. A summary of the primary contractual commitments follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2010</u>
Modular Unit: M Holdings, Inc.	<u>\$ 96,322</u>	<u>\$ (24,081)</u>	<u>\$ 72,241</u>

Conotton Valley Union Local School District  
Harrison County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 22,473	\$ -	\$ 22,473	\$ -
National School Lunch Program	3L60	10.555	113,111	8,938	113,111	8,938
Total Nutrition Cluster			135,584	8,938	135,584	8,938
<b>Total United States Department of Agriculture</b>			<b>135,584</b>	<b>8,938</b>	<b>135,584</b>	<b>8,938</b>
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I Cluster :</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	127,902	-	130,376	-
Title I Grants to Local Educational Agencies ARRA	3DK0	84.389	33,729	-	26,247	-
Total Title I Cluster			161,631	-	156,623	-
<i>Special Education Cluster</i>						
Special Education Grants to States	3M20	84.027	134,046	-	138,111	-
Special Education Grants to States ARRA	3DJ0	84.391	142,165	-	133,727	-
Total Special Education Cluster			276,211	-	271,838	-
State Fiscal Stabilization Fund(SFSF) - Education State Grants- ARRA	GRF	84.394	151,927	-	146,620	-
Safe & Drug Free Schools and Communities - State Grants	3D10	84.186	1,977	-	1,977	-
Education Technology State Grants	3S20	84.318	1,170	-	805	-
Improving Teacher Quality - State Grants	3Y60	84.367	25,011	-	23,467	-
Total Passed Through Ohio Department of Education			617,927	-	601,330	-
Direct Award						
Rural Education	N/A	84.358	32,233	-	32,233	-
<b>Total United States Department of Education</b>			<b>650,160</b>	<b>8,938</b>	<b>633,563</b>	<b>8,938</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 785,744</b>	<b>\$ 8,938</b>	<b>\$ 769,147</b>	<b>\$ 8,938</b>

N/A = Pass through entity number could not be located  
See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**Conotton Valley Union Local School District  
Harrison County**

**Notes to the Schedule of Federal Awards Receipts and Expenditures  
for the Fiscal Year Ended June 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with state subsidy and local revenue from the sale of meals. It was assumed federal monies were expended first.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards***

Members of the Board of Education  
Conotton Valley Union Local School District  
21 Mound Street  
Sherrodsville, OH 44675

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 4, 2011, wherein we noted that the School District implemented GASB Statement No. 51, 53, and 58. 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 School 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 School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School 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 School District's financial statements will not be prevented, or detected and timely corrected.

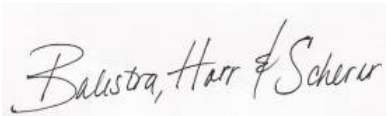
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 School 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 intend this report solely for the information and use of the management, members of the Members of the Board of Education, federal awarding agencies, pass-through entities, audit committee, and other within the School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
March 4, 2011



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**Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

Members of the Board of Education  
Conotton Valley Union Local School District  
21 Mound Street  
Sherrodsville, OH 44675

**Compliance**

We have audited the compliance of the Conotton Valley Union Local School District (the School 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 Conotton Valley Union Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School 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 express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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*. Those 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 School District's compliance with those 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 School District's compliance with those requirements.

In our opinion, Conotton Valley Union Local 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, 2010.

**Internal Control Over Compliance**

The School 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 School 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 School District's internal control over compliance.

Members of the Board of Education  
Conotton Valley Union Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

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 audit committee, management, Members of the Board of Education, others within the district, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
March 4, 2011

**Conotton Valley Union Local School District  
Harrison County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2010**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States, CFDA #84.027, Special Education Grants to States (ARRA), CFDA #84.391  State Fiscal Stabilization Funds (SFSF) – Education State Grants , (ARRA) CFDA#84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Conotton Valley Union Local School District  
Harrison County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2010**

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

None noted

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

None noted

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# Dave Yost • Auditor of State

CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT

HARRISON 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  
MAY 5, 2011