



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Conotton Valley Union Local School District
Harrison County
21 Mound Street
P.O. Box 187
Sherrodsville, OH 44675

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As further described in Note 3 to the basic financial statements, the District restated July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

December 15, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$449,000, which represents a 48.65% increase from 2010.
- General revenues accounted for \$4,791,146 in revenue or 73.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,701,290 or 26.20% of total revenues of \$6,492,436.
- The District had \$6,043,436 in expenses related to governmental activities; \$1,701,290 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 \$4,791,146 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$5,258,547 in revenues and \$5,112,123 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$146,424 from a restated balance of \$604,473 to \$750,897.

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 2011?" 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, 2011
(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 22-48 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The District as a Whole

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 3,407,027	\$ 3,254,942
Capital assets, net	526,146	488,034
Total assets	3,933,173	3,742,976
<u>Liabilities</u>		
Current liabilities	2,355,668	2,555,362
Long-term liabilities	205,665	264,774
Total liabilities	2,561,333	2,820,136
<u>Net Assets</u>		
Invested in capital assets, net of related debt	526,146	471,997
Restricted	335,664	257,477
Unrestricted	510,030	193,366
Total net assets	\$ 1,371,840	\$ 922,840

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$1,371,840. Of this total, \$510,030 is unrestricted in use.

At year end, capital assets represented 13.38% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets at June 30, 2011, were \$526,146. These capital assets are used to provide services to the students and are not available for future spending.

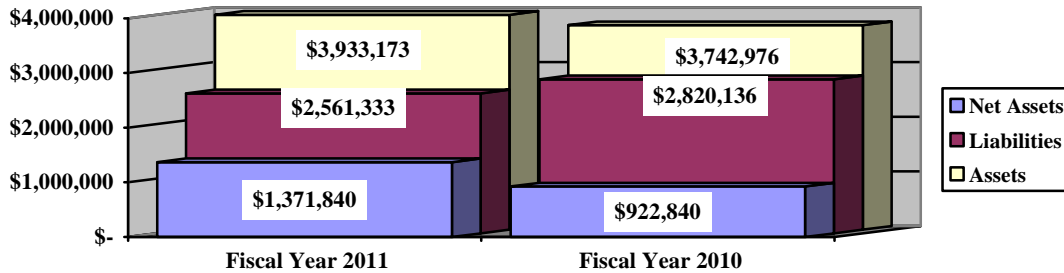
A portion of the District's net assets, \$335,664, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$510,030 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2011 and 2010:

Governmental Activities



The table below shows the change in net assets for fiscal year 2011 and 2010.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 535,689	\$ 432,745
Operating grants and contributions	1,165,601	770,268
General revenues:		
Property taxes	2,316,585	1,918,434
Grants and entitlements	2,467,980	2,720,109
Investment earnings	1,582	3,625
Other	4,999	4,317
Total revenues	<u>6,492,436</u>	<u>5,849,498</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	2,705,792	2,646,019
Special	653,835	729,007
Vocational	69,192	70,857
Other	13,447	18,979
Support services:		
Pupil	203,552	227,541
Instructional staff	294,617	335,163
Board of education	14,910	17,892
Administration	477,155	589,535
Fiscal	233,130	231,269
Business	41	11
Operations and maintenance	489,282	469,541
Pupil transportation	432,451	497,375
Central	25,076	26,096
Operation of non-instructional services:		
Other non-instructional services	3,539	-
Food service operations	271,662	283,711
Extracurricular activities	155,052	158,204
Interest and fiscal charges	<u>703</u>	<u>1,932</u>
Total expenses	<u>6,043,436</u>	<u>6,303,132</u>
Change in net assets	449,000	(453,634)
Net assets at beginning of year	<u>922,840</u>	<u>1,376,474</u>
Net assets at end of year	<u>\$ 1,371,840</u>	<u>\$ 922,840</u>

Governmental Activities

Net assets of the District's governmental activities increased \$449,000. Total governmental expenses of \$6,043,436 were offset by program revenues of \$1,701,290 and general revenues of \$4,791,146. Program revenues supported 28.15% 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 73.69% of total governmental revenue.

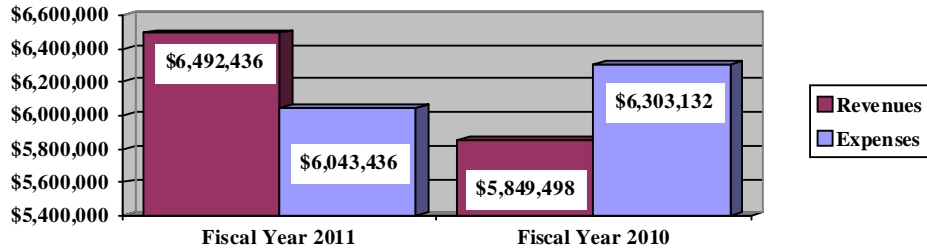
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,442,266 or 56.96% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

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>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 2,705,792	\$ 2,164,740	\$ 2,646,019	\$ 2,257,611
Special	653,835	(13,485)	729,007	364,685
Vocational	69,192	67,278	70,857	68,957
Other	13,447	13,447	18,979	18,979
Support services:				
Pupil	203,552	203,552	227,541	227,541
Instructional staff	294,617	257,975	335,163	251,693
Board of education	14,910	14,910	17,892	17,892
Administration	477,155	362,980	589,535	504,475
Fiscal	233,130	228,130	231,269	226,269
Business	41	6	11	2
Operations and maintenance	489,282	489,282	469,541	469,541
Pupil transportation	432,451	417,542	497,375	497,375
Central	25,076	18,251	26,096	19,237
Operation of non-instructional services:				
Food service operations	271,662	34,642	283,711	64,438
Other non-instructional services	3,539	3,539	-	-
Extracurricular activities	155,052	78,654	158,204	109,492
Interest and fiscal charges	<u>703</u>	<u>703</u>	<u>1,932</u>	<u>1,932</u>
Total expenses	<u>\$ 6,043,436</u>	<u>\$ 4,342,146</u>	<u>\$ 6,303,132</u>	<u>\$ 5,100,119</u>

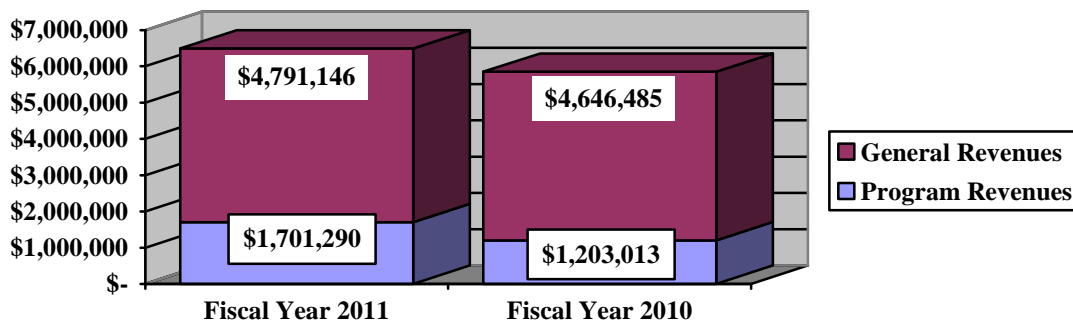
**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
HARRISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 64.84% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.85%. 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 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The June 30, 2010 fund balance of the general fund and other governmental funds were restated for the fund reclassification required for the implementation of GASB Statement No. 54 (See note 3.B for detail). The District's governmental funds reported a combined fund balance of \$889,261, which is higher than last year's total of \$556,707. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	(Restated) Fund Balance (deficit) June 30, 2010	Increase	Percentage Change
General	\$ 750,897	\$ 604,473	\$ 146,424	24.22 %
Other Governmental	148,364	(47,766)	196,130	410.61 %
Total	<u>\$ 899,261</u>	<u>\$ 556,707</u>	<u>\$ 342,554</u>	61.53 %

An analysis of the general fund revenues and expenditures is provided in the section below. The increase in the fund balances of the other governmental funds is primarily due to a \$79,505 increase in the fund balance of the Title VI-B fund (a nonmajor governmental fund). The increase in the Title VI-B fund balance (a nonmajor governmental fund) is the result of federal stimulus monies received in fiscal year 2011 as compared to fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

General Fund

The District's general fund balance increased \$146,424.

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

	2011 <u>Amount</u>	(Restated) 2010 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 2,173,506	\$ 1,882,399	\$ 291,107	15.46 %
Earnings on investments	1,582	3,625	(2,043)	(56.36) %
Intergovernmental	2,662,536	2,709,135	(46,599)	(1.72) %
Tuition	402,491	307,305	95,186	30.97 %
Other revenues	<u>18,432</u>	<u>21,836</u>	<u>(3,404)</u>	(15.59) %
 Total	 <u>\$ 5,258,547</u>	 <u>\$ 4,924,300</u>	 <u>\$ 334,247</u>	 6.79 %
<u>Expenditures</u>				
Instruction	\$ 2,958,660	\$ 2,997,098	\$ (38,438)	(1.28) %
Support services	1,979,910	2,133,546	(153,636)	(7.20) %
Extracurricular activities	106,813	103,297	3,516	3.40 %
Debt service	<u>16,740</u>	<u>16,740</u>	<u>-</u>	- %
 Total	 <u>\$ 5,062,123</u>	 <u>\$ 5,250,681</u>	 <u>\$ (188,558)</u>	 (3.59) %

Revenues of the general fund increased \$334,247 or 6.79%. Tax revenue increased \$291,107. This increase is due mainly to more taxes being collected during fiscal year 2011. The increase of \$95,186 in tuition is the result of increased open enrollment throughout the district. Other revenues decreased \$3,404 due to the district receiving more extracurricular revenues. All other revenues remained comparable to prior years.

Expenditures of the general fund decreased \$188,558 or 3.59%. Support services decreased \$153,636 or 7.20%. This decrease is due to a decrease mainly to reduced administration expenditures during fiscal year 2011. All other expenditures remained comparable to prior years.

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 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues were \$250,000, higher than original budgeted revenues. Actual revenues for fiscal year 2011 were \$5,045,304. This represents a \$304 increase from final budgeted revenues.

General fund original appropriations and other financing uses of \$5,666,416 stayed the same in the final budget. The actual budget basis expenditures and other financing sources for fiscal year 2011 totaled \$5,223,186, which was \$443,230 lower than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$526,146 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 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 75,820	\$ 75,820
Construction in progress	-	24,081
Land improvements	74,539	76,095
Building and improvements	250,281	151,976
Furniture and equipment	47,931	65,498
Vehicles	77,575	94,564
Total	\$ 526,146	\$ 488,034

The overall increase in capital assets of \$38,112 is due to capital outlays of \$95,967 exceeding depreciation expense of \$57,855.

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

Debt Administration

At June 30, 2011, the District had no debt obligations.

At June 30, 2011, the District's overall legal debt margin was \$6,309,038, and an unvoted debt margin of \$70,100.

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, 2011
(UNAUDITED)**

Current Financial Related Activities

For fiscal year 2012, the District will be able to meet its obligations. The District relies upon property taxes and the State foundation program. The District's property tax revenue collection is expected to increase only slightly in fiscal year 2012 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 2012. 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 and the May 2011 ballots, both of 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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,025,928
Receivables:	
Property taxes	2,282,715
Intergovernmental	68,214
Prepayments	27,767
Materials and supplies inventory.	2,403
Capital assets:	
Land	75,820
Depreciable capital assets, net.	450,326
Capital assets, net	<u>526,146</u>
 Total assets.	 <u>3,933,173</u>
Liabilities:	
Accounts payable.	2,627
Accrued wages and benefits	408,446
Pension obligation payable.	111,470
Intergovernmental payable	14,632
Unearned revenue	1,818,493
Long-term liabilities:	
Due within one year.	19,110
Due in more than one year.	186,555
 Total liabilities	 <u>2,561,333</u>
Net Assets:	
Invested in capital assets	526,146
Restricted for:	
Capital projects	104,772
Locally funded programs	500
State funded programs.	3,024
Federally funded programs	34,979
Student activities	28,389
Other purposes	164,000
Unrestricted.	<u>510,030</u>
 Total net assets	 <u>\$ 1,371,840</u>

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, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 2,705,792	\$ 402,491	\$ 138,561	\$ (2,164,740)
Special	653,835	-	667,320	13,485
Vocational	69,192	-	1,914	(67,278)
Other	13,447	-	-	(13,447)
Support services:				
Pupil	203,552	-	-	(203,552)
Instructional staff	294,617	-	36,642	(257,975)
Board of education	14,910	-	-	(14,910)
Administration	477,155	-	114,175	(362,980)
Fiscal	233,130	-	5,000	(228,130)
Business	41	12	23	(6)
Operations and maintenance	489,282	-	-	(489,282)
Pupil transportation	432,451	-	14,909	(417,542)
Central	25,076	-	6,825	(18,251)
Operation of non-instructional services:				
Other non-instructional services	3,539	-	-	(3,539)
Food service operations	271,662	80,422	156,598	(34,642)
Extracurricular activities	155,052	52,764	23,634	(78,654)
Interest and fiscal charges	703	-	-	(703)
Totals	<u>\$ 6,043,436</u>	<u>\$ 535,689</u>	<u>\$ 1,165,601</u>	<u>(4,342,146)</u>

General Revenues:

Property taxes levied for:	
General purposes	2,195,980
Capital projects	120,605
Grants and entitlements not restricted	
to specific programs	2,467,980
Investment earnings	1,582
Miscellaneous	4,999
Total general revenues	<u>4,791,146</u>
Change in net assets	449,000
Net assets at beginning of year	<u>922,840</u>
Net assets at end of year	<u>\$ 1,371,840</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 696,723	\$ 166,077	\$ 862,800
Receivables:			
Taxes.	2,128,271	154,444	2,282,715
Interfund loans	35,000	-	35,000
Intergovernmental.	7,363	60,851	68,214
Prepayments	27,767	-	27,767
Materials and supplies inventory.	-	2,403	2,403
Restricted assets:			
Equity in pooled cash and cash equivalents	163,128	-	163,128
Total assets	<u>\$ 3,058,252</u>	<u>\$ 383,775</u>	<u>\$ 3,442,027</u>
Liabilities:			
Accounts payable	\$ 2,330	\$ 297	\$ 2,627
Accrued wages and benefits.	352,911	55,535	408,446
Pension obligation payable	103,356	8,114	111,470
Compensated absences payable	102	-	102
Interfund loans payable.	-	35,000	35,000
Intergovernmental payable	12,906	1,726	14,632
Deferred revenue	140,634	11,362	151,996
Unearned revenue.	1,695,116	123,377	1,818,493
Total liabilities.	<u>2,307,355</u>	<u>235,411</u>	<u>2,542,766</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	2,403	2,403
Prepays.	27,767	-	27,767
Restricted:			
Capital improvements	-	95,328	95,328
Targeted academic assistance	-	330	330
Other purposes.	872	41,970	42,842
Textbooks/instructional materials	163,128	-	163,128
Extracurricular	-	28,389	28,389
Assigned:			
Student and staff support.	2,359	-	2,359
Public school support	3,859	-	3,859
Unassigned (deficit)	552,912	(20,056)	532,856
Total fund balances	<u>750,897</u>	<u>148,364</u>	<u>899,261</u>
Total liabilities and fund balances	<u>\$ 3,058,252</u>	<u>\$ 383,775</u>	<u>\$ 3,442,027</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, 2011

Total governmental fund balances		\$	899,261
<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.			526,146
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	142,715	
Intergovernmental receivable		9,281	
Total		<u> </u>	151,996
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			<u>(205,563)</u>
Net assets of governmental activities		<u>\$</u>	<u>1,371,840</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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 2,173,506	\$ 114,605	\$ 2,288,111
Tuition	402,491	-	402,491
Charges for services	-	80,434	80,434
Earnings on investments	1,582	-	1,582
Extracurricular	13,433	39,331	52,764
Contributions and donations	232	9,250	9,482
Other local revenues	4,767	14,384	19,151
Intergovernmental - Intermediate	-	500	500
Intergovernmental - State	2,662,536	35,204	2,697,740
Intergovernmental - Federal	-	938,421	938,421
Total revenues	5,258,547	1,232,129	6,490,676
Expenditures:			
Current:			
Instruction:			
Regular	2,578,051	127,415	2,705,466
Special	298,853	370,152	669,005
Vocational	68,309	-	68,309
Other	13,447	-	13,447
Support services:			
Pupil	213,437	-	213,437
Instructional staff	283,490	25,017	308,507
Board of education	14,471	-	14,471
Administration	380,102	103,598	483,700
Fiscal	227,538	8,691	236,229
Business	-	41	41
Operations and maintenance	461,716	22,935	484,651
Pupil transportation	395,670	14,567	410,237
Central	3,486	6,825	10,311
Operation of non-instructional services:			
Other non-instructional services	-	3,539	3,539
Food service operations	-	273,878	273,878
Extracurricular activities	106,813	50,428	157,241
Facilities acquisition and construction	-	78,913	78,913
Debt service:			
Principal retirement	16,037	-	16,037
Interest and fiscal charges	703	-	703
Total expenditures	5,062,123	1,085,999	6,148,122
Excess of revenues over expenditures	196,424	146,130	342,554
Other financing sources (uses):			
Transfers in	-	50,000	50,000
Transfers (out)	(50,000)	-	(50,000)
Total other financing sources (uses)	(50,000)	50,000	-
Net change in fund balances	146,424	196,130	342,554
Fund balances (deficit) at beginning of year (restated)	604,473	(47,766)	556,707
Fund balances at end of year	\$ 750,897	\$ 148,364	\$ 899,261

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, 2011

Net change in fund balances - total governmental funds \$ 342,554

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

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

Capital asset additions	\$ 95,967	
Current year depreciation	(57,855)	
Total		38,112

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

Taxes	28,474	
Intergovernmental	(19,351)	
Total		9,123

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. 16,037

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. 43,174

Change in net assets of governmental activities \$ 449,000

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 1,875,999	\$ 1,996,500	\$ 1,973,928	\$ (22,572)
Tuition.	382,523	401,000	402,491	1,491
Earnings on investments	1,504	3,000	1,582	(1,418)
Other local revenues	4,531	3,000	4,767	1,767
Intergovernmental - state	2,530,444	2,641,500	2,662,536	21,036
Total revenues	<u>4,795,000</u>	<u>5,045,000</u>	<u>5,045,304</u>	<u>304</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,829,502	2,675,652	2,598,022	77,630
Special.	348,200	351,900	305,223	46,677
Vocational.	72,150	72,250	69,587	2,663
Other.	22,500	22,500	13,501	8,999
Support services:				
Pupil.	233,800	236,600	227,808	8,792
Instructional staff	259,650	313,100	288,633	24,467
Board of education	20,850	20,950	14,447	6,503
Administration.	440,025	447,525	388,619	58,906
Fiscal	245,724	247,274	230,624	16,650
Operations and maintenance.	495,765	539,265	475,877	63,388
Pupil transportation	507,500	481,400	405,886	75,514
Central.	22,250	26,250	19,751	6,499
Extracurricular activities.	103,500	146,750	100,208	46,542
Total expenditures	<u>5,601,416</u>	<u>5,581,416</u>	<u>5,138,186</u>	<u>443,230</u>
Excess of expenditures over revenues.	<u>(806,416)</u>	<u>(536,416)</u>	<u>(92,882)</u>	<u>443,534</u>
Other financing uses:				
Transfers (out).	(65,000)	(50,000)	(50,000)	-
Advances (out)	-	(35,000)	(35,000)	-
Total other financing uses	<u>(65,000)</u>	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>
Net change in fund balance	(871,416)	(621,416)	(177,882)	443,534
Fund balance at beginning of year (restated).	1,023,742	1,023,742	1,023,742	-
Prior year encumbrances appropriated	6,711	6,711	6,711	-
Fund balance at end of year	<u>\$ 159,037</u>	<u>\$ 409,037</u>	<u>\$ 852,571</u>	<u>\$ 443,534</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, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 200,527	\$ 21,028
Total assets.	<u>200,527</u>	<u>\$ 21,028</u>
Liabilities:		
Accounts payable.	-	\$ 96
Due to Students.	-	<u>20,932</u>
Total liabilities	<u>-</u>	<u>\$ 21,028</u>
Net assets:		
Held in trust for scholarships	<u>200,527</u>	
Total net assets	<u>\$ 200,527</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 FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 302
Total additions.	302
Deductions:	
Scholarships awarded	600
Change in net assets.	(298)
Net assets at beginning of year	200,825
Net assets at end of year.	\$ 200,527

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, 2011**

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 617th largest in the State of Ohio (among 918 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 3 administrators, 30 classified and 45 certified full-time teaching personnel, who provide services to 543 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, 2011**

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.

INSURANCE PURCHASING POOLS

Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association (OSBA) / CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OSBA and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Ohio School Benefits Cooperative (OSBC)

The District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be school district and/or education service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated non-profit association of its members which was created for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverage for their employees and the eligible dependents and designated beneficiaries of such employees.

Participants pay a \$500 member fee to OSBC. OSBC offers two options to participants. The first option is that participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision, dental and/or life insurance. The second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The District participates in the first option. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

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 and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

D. Basis of Accounting

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

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, 2011, but which were levied to finance fiscal year 2012 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, 2011 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, 2011, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

E. 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 2011 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.
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 2011.
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 2011.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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, 2011; 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.

During fiscal year 2011, 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, 2011.

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 2011 amounted to \$1,582, which includes \$430 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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.

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

<u>Description</u>	<u>Governmental Activities 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.

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.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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, 2011, 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, 2011, 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.

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

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets 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 unclaimed funds.

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.

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish textbooks/instructional materials. These restricted assets are required by State statute. A schedule of statutory set-asides 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 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassification

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. This fund reclassification had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 599,212	\$ (42,505)	\$ 556,707
Fund reclassification:			
Public school support fund	5,261	(5,261)	-
Total fund reclassification	5,261	(5,261)	-
Restated fund balance at July 1, 2010	\$ 604,473	\$ (47,766)	\$ 556,707

The fund reclassification did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior year the unclaimed funds fund that is legally budgeted as an agency fund was considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 1,024,614
Unclaimed funds fund budgeted elsewhere	(872)
Restated balance at July 1, 2010	\$ 1,023,742

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 12,452
Management information systems	23
Title VI-B	1,085
Improving teacher quality	4,093

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 resulted 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;
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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2011, the carrying amount of all District deposits was \$915,899. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$671,149 of the District's bank balance of \$921,149 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2011, 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	\$ 331,584	\$ 331,584

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 331,584	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 915,899
Investments	<u>331,584</u>
Total	<u>\$ 1,247,483</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,025,928
Private-purpose trust fund	200,527
Agency funds	<u>21,028</u>
Total	<u>\$ 1,247,483</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Receivable/Payable

Interfund loans receivable/payable at June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Receivable fund:</u>	<u>Payable fund:</u>	<u>Amount</u>
General fund	IDEA Part-B nonmajor governmental fund	<u>\$ 35,000</u>

Interfund loans receivable/payable are short-term interfund loans, and are expected to be repaid in the subsequent fiscal year. The primary purpose of the interfund loan is to cover costs where revenues were not received by June 30. The interfund loan will be repaid once the anticipated revenues are received. Interfund loans receivable/payable between governmental funds are eliminated and are not reported on the government-wide statement of net assets.

B. Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Food service nonmajor governmental fund	<u>\$ 50,000</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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.

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 the District's fiscal year ended June 30, 2011 (other than public utility property) generally 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 were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Harrison County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$299,884 in the general fund and \$21,623 in the bond retirement debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$100,306 in the general fund and \$3,065 in the bond retirement debt service 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 delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

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.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 62,421,450	91.07	\$ 63,468,580	90.54
Public utility personal	<u>6,117,480</u>	<u>8.93</u>	<u>6,631,840</u>	<u>9.46</u>
Total	<u>\$ 68,538,930</u>	<u>100.00</u>	<u>\$ 70,100,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$48.69		\$48.69	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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	\$ 2,282,715
Intergovernmental	<u>68,214</u>
Total	<u>\$ 2,350,929</u>

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, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 75,820	\$ -	\$ -	\$ 75,820
Construction in progress	<u>24,081</u>	<u>84,606</u>	<u>(108,687)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>99,901</u>	<u>84,606</u>	<u>(108,687)</u>	<u>75,820</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	176,704	2,957	-	179,661
Buildings and improvements	1,100,724	111,428	-	1,212,152
Furniture and equipment	590,942	5,663	(11,635)	584,970
Vehicles	<u>809,515</u>	<u>-</u>	<u>-</u>	<u>809,515</u>
Total capital assets, being depreciated	<u>2,677,885</u>	<u>120,048</u>	<u>(11,635)</u>	<u>2,786,298</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(100,609)	(4,513)	-	(105,122)
Buildings and improvements	(948,748)	(13,123)	-	(961,871)
Furniture and equipment	(525,444)	(23,230)	11,635	(537,039)
Vehicles	<u>(714,951)</u>	<u>(16,989)</u>	<u>-</u>	<u>(731,940)</u>
Total accumulated depreciation	<u>(2,289,752)</u>	<u>(57,855)</u>	<u>11,635</u>	<u>(2,335,972)</u>
Governmental activities capital assets, net	<u>\$ 488,034</u>	<u>\$ 146,799</u>	<u>\$ (108,687)</u>	<u>\$ 526,146</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 6,697
Vocational	599

Support services:

Instructional staff	109
Board of education	439
Administration	387
Fiscal	710
Operations and maintenance	12,086
Pupil transportation	20,732
Central	14,765
Extracurricular activities	783
Food service operations	<u>548</u>
Total depreciation expense	<u>\$ 57,855</u>

**CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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. These copiers were fully depreciated at June 30, 2011. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2011 totaled \$16,037 and \$703, respectively, paid by the general fund. At the end of fiscal year 2011, this capital lease has been fully paid.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital lease obligation	\$ 16,037	\$ -	\$ (16,037)	\$ -	\$ -
Compensated absences	<u>248,737</u>	<u>19,008</u>	<u>(62,080)</u>	<u>205,665</u>	<u>19,110</u>
Total long-term obligations, governmental activities	<u>\$ 264,774</u>	<u>\$ 19,008</u>	<u>\$ (78,117)</u>	<u>\$ 205,665</u>	<u>\$ 19,110</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 was paid from the general fund. See Note 9 for more details.

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, 2011, are a voted debt margin of \$6,309,038 and an unvoted debt margin of \$70,100.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

B. Health Insurance

For fiscal year 2011, the District has elected to provide health care benefits to employees and administrators through the Ohio School Benefits Cooperative, a joint insurance purchasing program. The board pays the premium.

C. Workers' Compensation

For fiscal year 2011, the District participated in the OSBA/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the State based on the rate the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$79,479, \$79,793 and \$54,686, respectively; 59.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 website at www.strsoh.org, under "*Publications*".

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

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 2011, 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, 2011, 2010 and 2009 were \$279,492, \$282,214 and \$272,671, respectively; 82.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 Chapter 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 2011 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, under "Media/Financial Reports".

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Revenue Code Section 105(e). For 2011, 1.43 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 2011, 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, 2011, 2010, and 2009 were \$22,370, \$15,618 and \$34,141, respectively; 59.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, 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, 2011, 2010, and 2009 were \$5,115, \$4,745 and \$4,512, respectively; 59.09 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$21,499, \$21,709 and \$20,104, respectively; 82.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 and disbursements.

The statement of revenue, 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);
- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ (177,882)
Net adjustment for revenue accruals	199,578
Net adjustment for expenditure accruals	88,581
Net adjustment for other sources/uses	35,000
Funds budgeted elsewhere **	(1,402)
Adjustment for encumbrances	2,549
GAAP basis	<u>\$ 146,424</u>

**The public school support fund and unclaimed fund are legally budgeted in a separate special revenue fund, and agency fund, respectively, but are considered part of the general fund on a GAAP basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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.

NOTE 16 – SET-ASIDES

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 year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks/instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance June 30, 2010	\$ 138,753	\$ 39,266
Current year set-aside requirement	71,627	71,627
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(47,252)	(17,435)
Excess qualified expenditures from prior years	-	(96,047)
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 163,128</u>	<u>\$ (2,589)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 163,128</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 – SET-ASIDES - (Continued)

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks/instructional materials	<u>\$ 163,128</u>
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NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Funds</u>	<u>Year-End Encumbrances</u>
General fund	\$ 2,359
Nonmajor governmental funds	<u>6,174</u>
Total	<u>\$ 8,533</u>

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CONOTTON VALLEY UNION LOCAL SCHOOL DISTRICT
HARRISON COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF Agriculture				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	03-PU-11	10.550	\$3,057	\$3,718
Cash Assistance:				
School Breakfast Program	05-PU-11	10.553	\$30,091	\$30,091
National School Lunch Program	04-PU-11	10.555	114,211	114,211
Subtotal Cash Assistance			<u>144,302</u>	<u>144,302</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster (Non-Cash and Cash)			<u>147,359</u>	<u>148,020</u>
U.S. DEPARTMENT OF Education				
<i>Passed Through Ohio Department of Education</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	C1-S1-10	84.010	12,878	14,825
	C1-S1-11		126,603	118,696
Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	38,844	46,326
	2011		<u>2,247</u>	<u>2,247</u>
Total Title I, Part A Cluster			180,572	182,094
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-10	84.027	10,489	10,735
	6B-SF-11		127,348	125,147
Special Education - Preschool Grant (IDEA Preschool), Recovery Act	2010	84.392	10,669	19,106
	2011		<u>1,414</u>	<u>1,414</u>
Total Special Education Cluster			149,920	156,402
Educational Technology State Grants Cluster:				
Title II Part D Education Technology State Grant	TJ-S1-10	84.318		365
	TJ-S1-11		422	422
Total Educational Technology State Grants Cluster			422	787
Title II-A Improving Teacher Quality State Grant				
	TR-S1-10	84.367	1,206	3,113
	TR-S1-11		<u>24,599</u>	<u>24,153</u>
Total Title II-A Improving Teacher Quality State Grant			25,805	27,266
State Fiscal Stabilization Fund Cluster				
State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)	2010	84.394		5,307
	2011		<u>192,413</u>	<u>152,049</u>
Total State Fiscal Stabilization Fund Cluster			192,413	157,356
Education Jobs Fund				
Total Education Jobs Fund	2011	84.410	<u>114,942</u>	<u>113,227</u>
Direct Program from the U.S. Department of Education				
Rural Education Achievement Program (REAP)	2011	84.358A	31,808	31,808
Total REAP Grant			<u>31,808</u>	<u>31,808</u>
Total U.S. Department of Education			<u>695,882</u>	<u>668,940</u>
Total Federal Financial Assistance			<u><u>\$843,241</u></u>	<u><u>\$816,960</u></u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Conotton Valley Union Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Conotton Valley Union Local School District
Harrison County
21 Mound Street
P.O. Box 187
Sherrodsville, OH 44675

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Conotton Valley Union Local School District, Harrison County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2011, in which we noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 15, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

December 15, 2011



Dave Yost • Auditor of State

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

Conotton Valley Union Local School District
21 Mound Street
P.O. Box 187
Sherrodsville, OH 44675

To the Board of Education:

Compliance

We have audited the compliance of Conotton Valley Union Local School District, Harrison County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Conotton Valley Union Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

In our opinion, the Conotton Valley Union Local School District, Harrison County 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as 2011-02. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding we identified **is** described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on **it**.

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



Dave Yost
Auditor of State

December 15, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	84.010 Title 1 84.394 State Fiscal Stabilization Fund
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number 2011-01

Finding for Recovery/Noncompliance

Ohio Revised Code Section 9.39 states all "public officials are liable for all public money received or collected by them or their subordinates under color of office."

Monies collected by Kortney Spidell, Athletic Director, for admissions to a varsity basketball game totaling \$190 were never deposited to the bank.

Finding Number 2011-01 – (Continued)

In accordance with the foregoing facts, and pursuant of Ohio Revised Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Kortney Spidell, Athletic Director, and her bonding company, Netherlands Insurance Company, are jointly and severally liable in the amount of \$190, in favor of the Conotton Valley Union Local Athletic Fund.

Officials’ Response:

We did not receive a response from officials to this finding.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number 2011-02

Noncompliance/Significant Deficiency

Finding Number	2011-002
CFDA Title and Number	84.394 State Fiscal Stabilization Fund
Federal Award Number / Year	2011
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

34 CFR 80.20 (B)(7) states in part: “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements.” Interest should not be earned on these funds. If interest is earned on the funds, the interest earned must be remitted to the US Department of Education via a check sent to ODE. ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity per year may be retained under 34 CFR 80.21 for administrative expenses.

The District accumulated an excess of funds in the State Fiscal Stabilization Fund (SFSF) for the period of July 9, 2010 through June 30, 2011. The District failed to disburse cash received within 30 days. At the highest point, on June 30, 2011, the fund had a balance of \$40,365 with no outstanding encumbrances.

Noncompliance with cash management requirements could jeopardize future funding from the Ohio Department of Education. To ensure compliance with cash management requirements, the District should take steps to minimize the time elapsing between the receipt and disbursement of those funds.

Finding Number 2011-02 – (Continued)

Officials' Response:

When the State Fiscal Stabilization Fund (hereafter, SFSF) award was announced, districts were notified by the Ohio Department of Education that the award would take the place of funds that otherwise would have been received through the state foundation program but for Ohio's financial shortfall, and that while the funds were derived from a federal source, fund usage requirements would not be as stringent as other federally-funded programs. Also, it must be noted that funds received from the SFSF were not received in the same manner as other federally-funded programs. All other federally-funded programs awarded to the district required the use of Project Cash Requests, whereby funds were drawn down on an as-requested, as-needed basis, insuring that funds were spent as close as possible to the time of making disbursements. SFSF amounts were not "drawn down" using the Project Cash Request method, but were received bi-monthly, or 24 times over the course of the fiscal year through the state foundation program. Taking into account the relaxed requirements of the SFSF award and the lack of PCR requirements, Conotton Valley Union Local School District chose to use a portion of SFSF funds to pay contract salaries. Even though the fiscal year ended on June 30, remaining contract salary payments for fiscal year 2011 extended through July and August. The \$40,365 balance on June 30, 2011, was earmarked for July and August salaries, representing the remainder of fiscal year 2011 contract salaries.

After being made aware of the requirement that all funds must be spent by June 30, an adjustment was made on July 28, 2011, whereby one elementary teacher's fiscal year 2011 salary previously expensed to the general fund was charged to the SFSF fund reducing the SFSF \$40,365 fund balance to zero.

The SFSF award terminated as of June 30, 2011, thereby resolving this issue as all remaining/future federal programs are subject to Project Cash Request requirements whereby funds will be drawn down as close as possible to the time of making disbursements.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Conotton Valley Union Local School District
Harrison County
21 Mound Street
P.O. Box 187
Sherrodsville, OH 44675

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Conotton Valley Union Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 3, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

December 15, 2011

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Dave Yost • Auditor of State

CONCOTTON 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
MARCH 8, 2012