



Dave Yost • Auditor of State



**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	19
Statement of Net Position - Fiduciary Funds .....	20
Statement of Changes in Net Position - Private Purpose Trust Fund .....	21
Notes to the Basic Financial Statements .....	23
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule .....	50
Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters required by <i>Government Auditing Standards</i> .....	51
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	53
Schedule of Findings.....	55

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To The Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conneaut Area City School District, Ashtabula County, Ohio (the School District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Conneaut Area City School District, Ashtabula County, Ohio, as of June 30, 2014, and the respective changes in financial position, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

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

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

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

February 24, 2015

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**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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The discussion and analysis of the Conneaut Area City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities decreased \$1,157,282, which represents a 3 percent decrease from fiscal year 2013.
- The permanent improvement capital projects fund was reported as major in the prior fiscal year but it did not qualify as a major fund this fiscal year. The general fund and bond retirement debt service fund are now the only funds reported as major.
- During fiscal year 2014, the District paid down outstanding debt obligations by \$506,000. No new debt was issued.
- The District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the District.

**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 position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term 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 and the bond retirement fund are the most significant funds, and the only governmental funds reported as major.

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

---

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement debt service 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 Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

***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 Position and Changes in Fiduciary Net Position. 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.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

**The District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

<b>Net Position (Table 1)</b>			
<b>Governmental Activities</b>			
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current and Other Assets	\$11,108,911	\$12,354,468	(\$1,245,557)
Capital Assets, Net	<u>35,669,234</u>	<u>36,048,869</u>	<u>(379,635)</u>
<i>Total Assets</i>	<u>46,778,145</u>	<u>48,403,337</u>	<u>(1,625,192)</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding	<u>78,962</u>	<u>87,274</u>	<u>(8,312)</u>
<b>Liabilities</b>			
Current Liabilities	2,371,429	2,371,681	(252)
Long-Term Liabilities			
Due within One Year	612,685	597,933	14,752
Due in More than One Year	<u>5,792,543</u>	<u>6,216,694</u>	<u>(424,151)</u>
<i>Total Liabilities</i>	<u>8,776,657</u>	<u>9,186,308</u>	<u>(409,651)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	<u>3,221,617</u>	<u>3,288,188</u>	<u>(66,571)</u>
<b>Net Position</b>			
Net Investment in Capital Assets	30,452,055	30,317,882	134,173
Restricted	2,719,673	4,311,912	(1,592,239)
Unrestricted	<u>1,687,105</u>	<u>1,386,321</u>	<u>300,784</u>
<i>Total Net Position</i>	<u><u>\$34,858,833</u></u>	<u><u>\$36,016,115</u></u>	<u><u>(\$1,157,282)</u></u>

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2014, the District's net position was \$34,858,833, a decrease of 3 percent from the prior fiscal year.

The overall decrease in net position is due to a decrease in current and capital assets. The decrease in current assets is due mostly to decreased cash in the permanent improvement fund. The decrease in capital assets is due to annual depreciation outpacing additions to assets.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal year 2014 and 2013.

**Conneaut Area City School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**Table 2**  
Change in Net Position

	2014	2013	Increase (Decrease)
<b>Program Revenues</b>			
Charges for Services and Sales	\$497,369	\$519,042	(\$21,673)
Operating Grants and Contributions	2,429,566	2,130,013	299,553
Capital Grants and Contributions	306,137	172,506	133,631
<i>Total Program Revenues</i>	<u>3,233,072</u>	<u>2,821,561</u>	<u>411,511</u>
<b>General Revenues</b>			
Property Taxes	4,686,369	3,710,424	975,945
Intergovernmental	12,248,159	12,261,267	(13,108)
Investment Earnings	2,287	5,369	(3,082)
Miscellaneous	65,471	58,434	7,037
<i>Total General Revenues</i>	<u>17,002,286</u>	<u>16,035,494</u>	<u>966,792</u>
<i>Total Revenues</i>	<u>\$20,235,358</u>	<u>\$18,857,055</u>	<u>\$1,378,303</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	8,500,219	8,370,062	130,157
Special	3,271,737	2,453,469	818,268
Vocational	74,737	70,228	4,509
Other	1,280,465	1,254,318	26,147
Support Services:			
Pupil	815,962	1,139,516	(323,554)
Instructional Staff	537,445	1,614,160	(1,076,715)
Board of Education	25,583	22,807	2,776
Administration	1,743,636	1,609,972	133,664
Fiscal	437,514	450,063	(12,549)
Operation and Maintenance of Plant	2,308,289	1,940,959	367,330
Pupil Transportation	985,776	760,589	225,187
Central	41,902	25,222	16,680
Operation of Food Services	839,190	853,546	(14,356)
Extracurricular Activities	364,537	337,309	27,228
Interest and Fiscal Charges	165,648	157,830	7,818
<i>Total Program Expenses</i>	<u>21,392,640</u>	<u>21,060,050</u>	<u>332,590</u>
<i>Change in Net Position</i>	<u>(1,157,282)</u>	<u>(2,202,995)</u>	<u>1,045,713</u>
Net Position Beginning of Year	<u>36,016,115</u>	<u>38,219,110</u>	<u>(2,202,995)</u>
<i>Net Position End of Year</i>	<u>\$34,858,833</u>	<u>\$36,016,115</u>	<u>(\$1,157,282)</u>

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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***Governmental Activities***

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$45.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay less than \$35.00 and the District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus the District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 23 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2014 versus 20 percent in fiscal year 2013 and 22 percent in fiscal year 2012. Calendar year 2008 was a reappraisal year for the District and historically the District could count on a 20 percent increase in assessed valuations. Due to the current housing market only a 3.6 percent increase in assessed valuations was realized with this appraisal. Calendar year 2011 was an update year so assessed values were reevaluated once again. The District has not gone to the community for an operating levy since 1991. The District has prudently managed expenses within revenues over the prior fifteen years.

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

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 compared to 2013.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited*

**(Table 3)  
Total and Net Cost of Program Services**

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$13,127,158	\$11,352,295	\$12,148,077	\$10,954,875
Support Services:				
Pupils and Instructional Staff	1,353,407	1,130,169	2,753,676	2,209,763
Board of Education, Administration, Fiscal	2,206,733	2,120,615	2,082,842	2,029,761
Operation and Maintenance of Plant	2,308,289	2,308,289	1,940,959	1,940,959
Pupil Transportation	985,776	985,776	760,589	760,589
Central	41,902	41,902	25,222	25,222
Extracurricular Activities	364,537	(52,597)	337,309	78,992
Food Service Operations	839,190	107,471	853,546	80,498
Interest and Fiscal Charges	165,648	165,648	157,830	157,830
<i>Total Expenses</i>	<b>\$21,392,640</b>	<b>\$18,159,568</b>	<b>\$21,060,050</b>	<b>\$18,238,489</b>

**The District's Funds**

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,297,927 and expenditures of \$21,414,684. The District's governmental funds reported a combined fund balance of \$5,010,471, which is 18 percent lower than last year's total of \$6,127,228. The amount of cash spent from the permanent improvement fund for construction projects resulted in an overall decrease in cash and cash equivalents and was a significant factor in the overall decrease in fund balance of District this fiscal year.

**General Fund** The general fund balance increased 17 percent due mainly to increased revenues, such as property taxes, as well as slight decreases in several expenditure categories. Revenues exceeded expenditures by \$328,558 during fiscal year 2014.

**Bond Retirement Fund** The bond retirement debt service fund balance increased less than one percent as revenues outpaced expenditures by \$16,493.

**General Fund Budgeting Highlights**

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code. During the course of fiscal year 2014, the School District amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were in line with the final certification. The final certification was slightly higher than the original budgeted revenues, due to higher estimates in property taxes and tuition and fees as the fiscal year progressed. Actual expenditures, excluding advances, were \$44,339 less than final appropriations due mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

**Capital Assets and Debt Administration**

**Capital Assets** Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	2014	2013
Land	\$1,020,916	\$1,020,916
Construction in Progress	952,430	1,680,372
Land Improvements	1,127,526	1,222,832
Buildings and Improvements	30,922,637	30,569,097
Furniture and Fixtures	1,173,981	1,150,460
Vehicles	471,744	405,192
Total	\$35,669,234	\$36,048,869

The overall decrease in capital assets of \$379,635 is due to current year depreciation of \$1,654,873 exceeding capital outlays of \$1,275,238.

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2014, this set aside amounted to \$305,466. See Note 9 to the basic financial statements for additional information on the District capital assets and Note 20 for additional information regarding required set-asides.

**Debt**

Table 5 summarizes the District's outstanding debt for fiscal year 2014 compared to fiscal year 2013:

**(Table 5)**  
**Outstanding Long-Term Obligations**

	Governmental Activities		
	2014	2013	Change
Bleacher Refinancing Loan	\$168,000	\$224,000	\$56,000
Classroom Facilities Improvement Refunding Bonds:			
Current Interest Serial Bonds	3,500,000	3,840,000	340,000
Capital Appreciation Bonds	94,999	94,999	0
Accretion on Capital Appreciation Bonds	137,295	93,855	(43,440)
Energy Conservation Term Bonds	1,380,000	1,490,000	110,000
Totals	\$5,280,294	\$5,742,854	\$462,560

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2014*  
*Unaudited*

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

The District's overall legal debt margin was \$16,016,889 with an unvoted debt margin of \$214,239. Additional information concerning debt issuances can be found in note 15 to the basic financial statements.

**Challenges and Opportunities**

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

The District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the District the last couple fiscal years. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. This is evident from the very small amount of interest revenue during fiscal year 2014. And finally, actions of local and state governments continue to impact the District. Like many school districts in the State of Ohio, the District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors 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: Lindsey Elly, Treasurer, at Conneaut Area City School District, 400 Mill Street, Suite B, Conneaut, Ohio 44030 or email at [LElly@cacsk12.org](mailto:LElly@cacsk12.org).



**Conneaut Area City School District**

Ashtabula County, Ohio

*Statement of Net Position*

*June 30, 2014*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,453,177
Accounts Receivable	2,996
Intergovernmental Receivable	14,973
Property Taxes Receivable	4,590,401
Inventory Held for Resale	2,090
Materials and Supplies Inventory	45,274
Nondepreciable Capital Assets	1,973,346
Depreciable Capital Assets, Net	33,695,888
<i>Total Assets</i>	<u>46,778,145</u>
<b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	<u>78,962</u>
<b>Liabilities</b>	
Accounts Payable	187,596
Accrued Wages and Benefits Payable	1,560,805
Contracts Payable	84,712
Intergovernmental Payable	500,023
Matured Compensated Absences Payable	28,777
Accrued Interest Payable	9,516
Long-Term Liabilities:	
Due Within One Year	612,685
Due In More Than One Year	5,792,543
<i>Total Liabilities</i>	<u>8,776,657</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>3,221,617</u>
<b>Net Position</b>	
Net Investment in Capital Assets	30,452,055
Restricted for:	
Capital Projects	649,733
Debt Service	1,768,302
Other Purposes	301,638
Unrestricted (Deficit)	1,687,105
<i>Total Net Position</i>	<u>\$34,858,833</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**

Ashtabula County, Ohio

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2014*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$8,500,219	\$289,185	\$406,176	\$0	(\$7,804,858)
Special	3,271,737	0	1,079,502	0	(2,192,235)
Vocational	74,737	0	0	0	(74,737)
Other	1,280,465	0	0	0	(1,280,465)
Support Services:					
Pupils	815,962	0	173,802	0	(642,160)
Instructional Staff	537,445	0	49,436	0	(488,009)
Board of Education	25,583	0	0	0	(25,583)
Administration	1,743,636	0	86,118	0	(1,657,518)
Fiscal	437,514	0	0	0	(437,514)
Operation and Maintenance of Plant	2,308,289	0	0	0	(2,308,289)
Pupil Transportation	985,776	0	0	0	(985,776)
Central	41,902	0	0	0	(41,902)
Operation of Food Services	839,190	130,665	601,054	0	(107,471)
Extracurricular Activities	364,537	77,519	33,478	306,137	52,597
Interest and Fiscal Charges	165,648	0	0	0	(165,648)
<i>Total Governmental Activities</i>	<u>\$21,392,640</u>	<u>\$497,369</u>	<u>\$2,429,566</u>	<u>\$306,137</u>	<u>(18,159,568)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					4,037,686
					377,598
					198,311
					72,774
Grants and Entitlements not					
					12,248,159
					2,287
					65,471
<i>Total General Revenues</i>					<u>17,002,286</u>
Change in Net Position					(1,157,282)
<i>Net Position Beginning of Year</i>					36,016,115
<i>Net Position End of Year</i>					<u>\$34,858,833</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,383,734	\$1,816,133	\$1,237,712	\$6,437,579
Restricted Assets:				
Cash and Cash Equivalents	0	0	15,598	15,598
Accounts Receivable	2,996	0	0	2,996
Interfund Receivable	8,836	0	0	8,836
Intergovernmental Receivable	6,137	0	8,836	14,973
Property Taxes Receivable	3,988,497	317,129	284,775	4,590,401
Inventory Held for Resale	0	0	2,090	2,090
Materials and Supplies Inventory	43,963	0	1,311	45,274
<i>Total Assets</i>	<u>\$7,434,163</u>	<u>\$2,133,262</u>	<u>\$1,550,322</u>	<u>\$11,117,747</u>
<b>Liabilities</b>				
Accounts Payable	\$61,747	\$0	\$125,849	\$187,596
Accrued Wages and Benefits Payable	1,361,713	0	199,092	1,560,805
Contracts Payable	0	0	84,712	84,712
Intergovernmental Payable	447,670	0	52,353	500,023
Matured Compensated Absences Payable	28,777	0	0	28,777
Interfund Payable	0	0	8,836	8,836
<i>Total Liabilities</i>	<u>1,899,907</u>	<u>0</u>	<u>470,842</u>	<u>2,370,749</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,805,380	218,149	198,088	3,221,617
Unavailable Revenue - Property Taxes	437,397	36,779	31,898	506,074
Unavailable Revenue - Intergovernmental	0	0	8,836	8,836
<i>Total Deferred Inflows of Resources</i>	<u>3,242,777</u>	<u>254,928</u>	<u>238,822</u>	<u>3,736,527</u>
<b>Fund Balances</b>				
Nonspendable	43,963	0	1,311	45,274
Restricted	0	1,878,334	1,045,764	2,924,098
Assigned	275,113	0	0	275,113
Unassigned (Deficit)	1,972,403	0	(206,417)	1,765,986
<i>Total Fund Balances</i>	<u>2,291,479</u>	<u>1,878,334</u>	<u>840,658</u>	<u>5,010,471</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,434,163</u>	<u>\$2,133,262</u>	<u>\$1,550,322</u>	<u>\$11,117,747</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2014*

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**Total Governmental Fund Balances** \$5,010,471

***Amounts reported for governmental activities in the  
statement of net position are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 35,669,234

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:

Delinquent Property Taxes	506,074
Grants	<u>8,836</u>

Total 514,910

In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. (9,516)

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

General Obligation Bonds	(3,500,000)
Capital Appreciation Bonds	(94,999)
Accretion on Bonds	(137,295)
Unamortized Premium on Bonds	(153,142)
Deferred Charge on Refunding	78,962
Energy Conservation Bond	(1,380,000)
Bleacher Loan	(168,000)
Compensated Absences	<u>(971,792)</u>

Total (6,326,266)

*Net Position of Governmental Activities* \$34,858,833

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2014*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$4,075,432	\$400,976	\$281,366	\$4,757,774
Tuition and Fees	289,185	0	0	289,185
Interest	2,163	0	124	2,287
Charges for Services	0	0	130,665	130,665
Extracurricular Activities	100	0	77,519	77,619
Contributions and Donations	33,378	0	306,137	339,515
Intergovernmental	12,039,858	79,304	2,516,249	14,635,411
Miscellaneous	64,546	0	925	65,471
<i>Total Revenues</i>	<u>16,504,662</u>	<u>480,280</u>	<u>3,312,985</u>	<u>20,297,927</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,557,595	0	417,106	6,974,701
Special	2,177,516	0	1,041,224	3,218,740
Vocational	71,676	0	0	71,676
Other	1,280,465	0	0	1,280,465
Support Services:				
Pupils	664,704	0	166,727	831,431
Instructional Staff	347,204	0	209,552	556,756
Board of Education	25,583	0	0	25,583
Administration	1,625,955	0	84,678	1,710,633
Fiscal	424,240	10,058	6,694	440,992
Operation and Maintenance of Plant	1,820,783	0	982,722	2,803,505
Pupil Transportation	727,737	0	162,875	890,612
Central	40,903	0	621	41,524
Operation of Food Services	0	0	777,575	777,575
Extracurricular Activities	292,693	0	96,422	389,115
Capital Outlay	0	0	764,768	764,768
Debt Service:				
Principal Retirement	110,000	340,000	56,000	506,000
Interest and Fiscal Charges	9,050	113,729	7,829	130,608
<i>Total Expenditures</i>	<u>16,176,104</u>	<u>463,787</u>	<u>4,774,793</u>	<u>21,414,684</u>
<i>Net Change in Fund Balances</i>	328,558	16,493	(1,461,808)	(1,116,757)
<i>Fund Balance Beginning of Year</i>	1,962,921	1,861,841	2,302,466	6,127,228
<i>Fund Balance End of Year</i>	<u>\$2,291,479</u>	<u>\$1,878,334</u>	<u>\$840,658</u>	<u>\$5,010,471</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
Ashtabula 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, 2014*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,116,757)

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

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

Capital Outlay	1,275,238	
Current Year Depreciation	(1,654,873)	
Total		(379,635)

The net effect of various transactions involving capital assets  
(i.e.; disposals and sales) is a decrease in net position.

Assets Disposed	(7,257)	
Accumulated Depreciation on Disposals	7,257	
Total		0

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

Property Taxes	(71,405)	
Intergovernmental Grants	8,836	
Total		(62,569)

Repayment of long-term debt principal is an expenditure in the  
governmental funds, but the repayment reduces the long-term  
liabilities in the statement of net position. 506,000

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

Accrued Interest on Bonds & Loans	592	
Accreted Interest on Capital Appreciation Bonds	(43,440)	
Amortization of Bond Premiums	16,120	
Amortization of Deferred Charge on Refunding	(8,312)	
Total		(35,040)

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. (69,281)

*Change in Net Position of Governmental Activities* (\$1,157,282)

See accompanying notes to the basic financial statements

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$3,987,759	\$4,114,366	\$4,114,366	\$0
Tuition and Fees	266,070	289,821	289,821	0
Interest	2,000	2,163	2,163	0
Extracurricular Activities	0	100	100	0
Intergovernmental	11,877,314	12,033,721	12,033,721	0
Miscellaneous	15,486	37,752	37,752	0
<i>Total Revenues</i>	<u>16,148,629</u>	<u>16,477,923</u>	<u>16,477,923</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,153,827	6,647,371	6,603,032	44,339
Special	2,285,729	2,124,132	2,124,132	0
Vocational	77,385	71,899	71,899	0
Other	1,387,922	1,289,538	1,289,538	0
Support Services:				
Pupils	711,992	661,541	661,541	0
Instructional Staff	473,520	440,244	440,244	0
Board of Education	27,617	25,659	25,659	0
Administration	1,779,894	1,655,110	1,655,110	0
Fiscal	468,647	435,743	435,743	0
Operation and Maintenance of Plant	2,173,585	2,026,462	2,026,462	0
Pupil Transportation	811,596	754,746	754,746	0
Central	47,352	44,081	44,081	0
Extracurricular Activities	268,656	249,542	249,542	0
Debt Service:				
Principal Retirement	110,000	110,000	110,000	0
Interest and Fiscal Charges	9,050	9,050	9,050	0
<i>Total Expenditures</i>	<u>17,786,772</u>	<u>16,545,118</u>	<u>16,500,779</u>	<u>44,339</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,638,143)</u>	<u>(67,195)</u>	<u>(22,856)</u>	<u>44,339</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditure	0	110,623	110,714	91
Advances Out	0	0	(8,836)	(8,836)
Transfers In	0	7,575	7,575	0
Transfers Out	0	(7,575)	(7,575)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>110,623</u>	<u>101,878</u>	<u>(8,745)</u>
<i>Net Change in Fund Balance</i>	(1,638,143)	43,428	79,022	35,594
<i>Fund Balance Beginning of Year</i>	2,818,160	2,818,160	2,818,160	0
<i>Prior Year Encumbrances Appropriated</i>	153,503	153,503	153,503	0
<i>Fund Balance End of Year</i>	<u>\$1,333,520</u>	<u>\$3,015,091</u>	<u>\$3,050,685</u>	<u>\$35,594</u>

See accompanying notes to the basic financial statements

**Conneaut Area City School District**

Ashtabula County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2014*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Current Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$80,137	\$29,390
<b>Current Liabilities</b>		
Due to Students	0	\$29,390
<b>Net Position</b>		
Held in Trust for Scholarships	\$80,137	

See accompanying notes to the basic financial statements



**Conneaut Area City School District**

Ashtabula County, Ohio

*Statement of Changes in Net Position  
Private Purpose Trust Fund  
For the Fiscal Year Ended June 30, 2014*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$19
<b>Deductions</b>	
Scholarships Awarded	<u>750</u>
<i>Change in Net Position</i>	(731)
<i>Net Position Beginning of Year</i>	<u>80,868</u>
<i>Net Position End of Year</i>	<u><u>\$80,137</u></u>

See accompanying notes to the basic financial statements

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**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 1 – Description of the School District and Reporting Entity**

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 58 square miles. It is located in Ashtabula County. It is staffed by 93 non-certified employees and 130 certified full-time teaching and administrative personnel who provide services to 1,785 students and other community members. The District currently operates four instructional buildings and a bus garage.

***Reporting Entity***

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

**B. Fund Accounting**

The School 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 School District has no 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

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

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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust 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 fund is a private-purpose trust fund which accounts 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. Measurement Focus***

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

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

***D. Basis of Accounting***

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). 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 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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Outflows/Inflows of Resources* In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***E. Budgetary Data***

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

## **Conneaut Area City School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

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

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

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity Pooled in Cash and Cash Equivalents." During the fiscal year, investments were limited to 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 share price, which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$2,163, which includes \$1,134 assigned from other District funds.

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

### ***G. Inventory***

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

### ***H. Capital Assets***

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

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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 10 years
Buildings and Improvements	20 - 50 years
Furniture & Equipment	8 - 20 years
Vehicles	10 years

***I. Interfund Balances***

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net position.

***J. Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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.

***K. Compensated Absences***

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

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

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



**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

***L. 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 fiscal year. Bonds are recognized as a liability in the fund financial statements when due.

***M. Fund Balance***

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

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

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

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit 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 or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

## **Conneaut Area City School District**

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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

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

### ***N. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

### ***O. Deferred Amount (Loss) on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

### ***P. Bond Premiums***

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

### ***Q. Estimates***

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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 3 – Change in Accounting Principles**

For fiscal year 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”, Statement No. 67, “Financial Reporting for Pension Plans”, and Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 67 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 improves the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**Note 4 – Fund Deficits**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Early Childhood Education	\$21,991
Race to the Top	11,919
IDEA Part B	40,672
Title I Fund	102,696
Early Childhood Special IDEA	369
Class Size Reduction	23,460
Miscellaneous Federal Grants	5,310

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 5 – Budgetary Basis of Accounting**

While the District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. \*Certain funds have legally separate adopted budgets (budget basis) but are included in the General Fund (GAAP basis).

\*As part of Governmental Accounting Standards Board No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds and capital projects funds are considered part of the General fund on a GAAP basis. This includes the public school support and workers’ compensation special revenue funds and the Ohio School Facilities reserve capital projects fund.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	\$328,558
Net Adjustment for Revenue Accruals	67,177
Net Adjustment for Expenditure Accruals	(91,468)
Net Adjustment for Funds Budgeted as Special Revenue	24,373
Advances Out	(8,836)
Adjustment for Encumbrances	<u>(240,782)</u>
Budget Basis	<u><u>\$79,022</u></u>

**Note 6 – Deposits and Investments**

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

Interim monies held by the School District can be deposited or invested in the following securities:

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

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

### **Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30<sup>th</sup>, the carrying amount of all District deposits was \$949,522, while \$1,006,791 of the District's bank balance of \$1,256,791 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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The District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred give percent of the deposited being secured.

**Investments**

As of June 30, 2014, the District had STAR Ohio as the only investment with an amount of \$5,613,182 and an average maturity less than six months.

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

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

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

*Concentration of Credit Risk* The School District places no limit on the account it may invest in any one issuer. At June 30, 2014, STAR Ohio represented 100 percent of all District investments.

**Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$949,522
Investments	5,613,182
Total	<u>\$6,562,704</u>
 <u>Cash and Cash Equivalents per Statement of Net Position</u>	
Governmental activities	\$6,453,177
Private-purpose trust funds	29,390
Agency funds	80,137
Total	<u>\$6,562,704</u>

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 7 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>				
Inventory	\$43,963	\$0	\$1,311	\$45,274
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	99,587	99,587
Classroom Maintenance	0	0	160,750	160,750
Debt Service Payments	0	1,878,334	0	1,878,334
Capital Improvements	0	0	625,810	625,810
Other Purposes	0	0	159,617	159,617
<i>Total Restricted</i>	0	1,878,334	1,045,764	2,924,098
<b><i>Assigned to</i></b>				
Other Purposes	92,267	0	0	92,267
Encumbrances	182,846	0	0	182,846
<i>Total Assigned</i>	275,113	0	0	275,113
<b><i>Unassigned (Deficit)</i></b>	1,972,403	0	(206,417)	1,765,986
<b><i>Total Fund Balances</i></b>	<b>\$2,291,479</b>	<b>\$1,878,334</b>	<b>\$840,658</b>	<b>\$5,010,471</b>

**Note 8 – Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

The District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2014 was \$745,720 in the general fund, \$62,201 in the bond retirement debt service fund, \$41,092 in the permanent improvement capital projects fund and \$13,697 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2013, was \$784,654 in the general fund, \$98,738 in the bond retirement debt service fund, \$55,568 in the permanent improvement capital projects fund and \$14,378 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$206,404,680	96.4%	\$206,137,230	96.2%
Public Utility Personal	7,316,690	3.6%	8,102,260	3.8%
	\$213,721,370	100.0%	\$214,239,490	100.0%
Tax Rate per \$1,000 of assessed valuation	\$37.63		\$36.39	



**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 9 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
<b>Capital Assets, not being depreciated:</b>				
Land	\$1,020,916	\$0	\$0	\$1,020,916
Construction in Progress	1,680,372	929,804	(1,657,746)	952,430
<b>Total Capital Assets, not being depreciated:</b>	<b>2,701,288</b>	<b>929,804</b>	<b>(1,657,746)</b>	<b>1,973,346</b>
<b>Capital Assets, being depreciated:</b>				
Land Improvements	2,097,956	10,700	0	2,108,656
Buildings and Improvements	45,383,523	1,657,746	0	47,041,269
Furniture, Equipment and Fixtures	2,621,602	159,114	(7,257)	2,773,459
Vehicles	1,523,186	175,620	0	1,698,806
Textbooks	1,107,757	0	0	1,107,757
<b>Total Capital Assets, being depreciated</b>	<b>52,734,024</b>	<b>2,003,180</b>	<b>(7,257)</b>	<b>54,729,947</b>
Less Accumulated Depreciation:				
Land Improvements	(875,124)	(106,006)	0	(981,130)
Building and Improvements	(14,814,426)	(1,304,206)	0	(16,118,632)
Furniture, Equipment and Fixtures	(1,471,142)	(135,593)	7,257	(1,599,478)
Vehicles	(1,117,994)	(109,068)	0	(1,227,062)
Textbooks	(1,107,757)	0	0	(1,107,757)
<b>Total Accumulated Depreciation</b>	<b>(19,386,443)</b>	<b>(1,654,873) *</b>	<b>7,257</b>	<b>(21,034,059)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>33,347,581</b>	<b>348,307</b>	<b>0</b>	<b>33,695,888</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$36,048,869</b>	<b>\$1,278,111</b>	<b>(\$1,657,746)</b>	<b>\$35,669,234</b>

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

Instruction:	
Regular	\$1,467,200
Special	314
Vocational	3,938
Support Services:	
Pupil	1,308
Instructional Staff	22,710
Administration	1,336
Operation and Maintenance of Plant	22,162
Pupil Transportation	99,275
Central	378
Operation of Food Services	29,710
Extracurricular Activities	6,542
<b>Total Depreciation Expense</b>	<b>\$1,654,873</b>

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

**Note 10 – Receivables**

Receivables at June 30, 2014 consisted of accounts, 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 guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Medicaid Reimbursement	\$6,137
Non-major Governmental Fund:	
IDEA Part B Grant	8,836
Total Intergovernmental Receivable	\$14,973

**Note 11 – Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2014, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$8,836	\$0
Non-major Governmental Fund:		
IDEA Part B	0	8,836
Total	\$8,836	\$8,836

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**Note 12 – Other Employee Benefits**

***Compensated Absences***

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

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

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 60 days for classified employees and for certified employees.

***Insurance***

Life insurance is offered to employees through Minnesota Life Insurance Company. Certified and classified employees are covered for \$40,000 with payments of \$4.20 per month. The superintendent is covered for \$150,000 with payments of \$15.75 per month. The treasurer is covered for \$100,000 with payments of \$10.50 per month.

***Health Insurance Benefits***

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

**Note 13 – 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 can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$276,856, \$265,982 and \$279,485, respectively; 55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***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 is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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Plan Options – New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

## Conneaut Area City School District

Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

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A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The District was required to contribute 14 percent, 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$951,900, \$961,625 and \$1,126,970, respectively; 82 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$31,008 made by the School District and \$24,364 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Reports are available.

Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Reports* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

### **Note 14 – Postemployment Benefits**

#### ***A. School Employees Retirement System***

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Medicare Part B Plan** – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is 0.76 percent. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,062, \$15,025 and \$16,505, respectively; 55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Health Care Plan** – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were \$39,511, \$34,151 and \$12,104, respectively; 55 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issued as stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$73,223, \$73,971 and \$82,453, respectively; 82 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**Note 15 – Long-Term Obligations**

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2011 Classroom Facilities Improvement Refunding Bonds:			
Capital Interest Serial Bonds	1.00% to 4.00%	\$4,535,000	2023
Capital Appreciation Bonds	4.00%	94,999	2016
Energy Conservation Improvement Bonds:			
Current Issue Term Bonds	5.15%	1,712,161	2023
2012 Bleacher Loan	3.00%	280,000	2017

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014*

A summary of changes in long-term obligations for the year ended June 30, 2014, were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts due in One Year
<b>General Obligation Bonds:</b>					
Classroom Facilities Improvement Refunding Bonds					
Serial Bonds	\$3,840,000	\$0	(\$340,000)	\$3,500,000	\$350,000
Capital Appreciation Bonds	94,999	0	0	94,999	0
Accretion	93,855	43,440	0	137,295	0
Premium	169,262	0	(16,120)	153,142	0
<i>Total Classroom Facilities Improvement Refunding Bonds</i>	<u>4,198,116</u>	<u>43,440</u>	<u>(356,120)</u>	<u>3,885,436</u>	<u>350,000</u>
Energy Conservation Improvement Bonds	1,490,000	0	(110,000)	1,380,000	115,000
<i>Total General Obligation Bonds</i>	<u>5,688,116</u>	<u>43,440</u>	<u>(466,120)</u>	<u>5,265,436</u>	<u>465,000</u>
<b>Other Long-Term Obligations:</b>					
Bleacher Loan	224,000	0	(56,000)	168,000	56,000
Compensated Absences	902,511	161,214	(91,933)	971,792	91,685
<i>Total Other Long-Term Obligations</i>	<u>1,126,511</u>	<u>161,214</u>	<u>(147,933)</u>	<u>1,139,792</u>	<u>147,685</u>
<b>Total Long-Term Obligations</b>	<u>\$6,814,627</u>	<u>\$204,654</u>	<u>(\$614,053)</u>	<u>\$6,405,228</u>	<u>\$612,685</u>

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

On July 20, 2010, the District issued \$4,629,999 in general obligation bonds to refund the classroom facilities improvement bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$4,535,000 and \$94,999, respectively. The bonds were issued for a fourteen year period with a final maturity at December 1, 2023. The accretion recorded for 2014 was \$43,440, for a total outstanding bond liability of \$232,294. The bonds will be retired from the debt service fund.

The bonds were sold at a premium of \$216,279. Net proceeds of \$4,741,516 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2014, \$3,800,000 of the defeased bonds are still outstanding.

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



**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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

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

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

The remaining principal amount of the term bonds (\$1,380,000) will mature at the stated maturity on December 1, 2025.

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

The District's overall legal debt margin was \$16,016,889 with an unvoted debt margin of \$214,239 at June 30, 2014. Principal and interest requirements to retire general obligation bonds follow:

Fiscal Year	General Obligation Bonds							
	Serial		Capital Appreciation		Term		Bleacher Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$350,000	\$110,328	\$0	\$0	\$115,000	\$68,109	\$56,000	\$4,200
2016	355,000	103,328	0	0	115,000	62,187	56,000	2,520
2017	0	95,518	94,999	270,001	115,000	56,264	56,000	840
2018	365,000	95,518	0	0	115,000	50,341	0	0
2019	370,000	84,568	0	0	115,000	44,419	0	0
2020-2024	2,060,000	232,386	0	0	575,000	133,258	0	0
2025-2028	0	0	0	0	230,000	11,845	0	0
<b>Total</b>	<u>\$3,500,000</u>	<u>\$721,646</u>	<u>\$94,999</u>	<u>\$270,001</u>	<u>\$1,380,000</u>	<u>\$426,423</u>	<u>\$168,000</u>	<u>\$7,560</u>

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 16 – Risk Management**

***Property and Liability***

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

<u>Coverage</u>	<u>Amount</u>
Buildings and Business Property (\$1,000 Deductible)	\$84,741,212
Equipment Breakdown (\$1,000 Deductible)	50,000,000
Crime Coverage (\$1,000 Deductible)	100,000
Educator's Legal Liability (\$5,000 Deductible/Per Occurrence)	5,000,000
Automobile Liability (\$0 Deductible)	10,000,000
General Liability (\$0 Deductible)	15,000,000

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

***Employee Medical Benefits***

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

***Workers' Compensation***

For fiscal year 2014, workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 17 – Jointly Governed Organizations**

***Ashtabula County Joint Vocational School District*** The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2014. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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***Northeast Ohio Management Information Network (NEOMIN)*** NEOMIN is a jointly governed organization among various school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Service Centers. Each of the districts support NEOMIN based upon a per pupil charge.

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

**Note 18 – Public Entity Risk Pool**

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

**Note 19 – 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 not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2014.

**Conneaut Area City School District**  
Ashtabula County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2014*

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**Note 20 – 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	305,466
Qualifying Disbursements	(126,115)
Current Year Offsets	<u>(338,596)</u>
Total	<u>(\$159,245)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Cash balance as of June 30, 2014	<u>\$0</u>

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

**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	2014	10.553	\$101,548	\$0	\$101,548	\$0
National School Lunch Program	2014	10.555	397,151	91,780	397,151	91,780
<b>Total -- Nutrition Cluster</b>			<b>498,699</b>	<b>91,780</b>	<b>498,699</b>	<b>91,780</b>
<b>Total U.S. Department of Agriculture</b>			<b>498,699</b>	<b>91,780</b>	<b>498,699</b>	<b>91,780</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	2013	84.010	200,310		137,965	
	2014		681,463		680,468	
<b>Subtotal - Title I</b>			<b>881,773</b>		<b>818,433</b>	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2013	84.027	80,693		80,918	
	2014		442,593		442,594	
Early Childhood Special Education	2013	84.173	2,823		3,208	
	2014		19,143		19,143	
<b>Subtotal - Special Education Cluster</b>			<b>545,252</b>		<b>545,863</b>	
Rural Education Grant	2013	84.358	6,457		6,531	
	2014		34,325		33,325	
<b>Subtotal - Rural Education Grant</b>			<b>40,782</b>		<b>39,856</b>	
Title II - Part A -- Improving Teacher Quality	2013	84.367	29,030		29,052	
	2014		143,555		139,231	
<b>Subtotal - Title II Part A</b>			<b>172,585</b>		<b>168,283</b>	
Race-to-the-Top Incentive Grants	2013	84.395	24,833		26,634	
	2014		53,678		53,334	
<b>Subtotal - Race-to-the-Top Incentive Grants</b>			<b>78,511</b>		<b>79,968</b>	
<b>Total -- U.S. Department of Education</b>			<b>1,718,903</b>		<b>1,652,403</b>	
<b>Totals</b>			<b>\$2,217,602</b>	<b>\$91,780</b>	<b>\$2,151,102</b>	<b>\$91,780</b>

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

**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal monies received by the District for these programs are comingled with State grants and local revenues. It is assumed that federal monies are expected first.

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



# Dave Yost • Auditor of State

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

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

To The Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Conneaut Area City School District, Ashtabula County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2015.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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

February 24, 2015





# Dave Yost • Auditor of State

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

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

To The Board of Education:

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

We have audited the Conneaut Area City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Conneaut Area City School District's major federal program for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal program.

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

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Conneaut Area City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

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

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

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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

February 24, 2015

**CONNEAUT AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I CFDA Number 84.010
<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**

None

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

None

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# Dave Yost • Auditor of State

**CONNEAUT AREA CITY SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 10, 2015**