



Dave Yost • Auditor of State

Conneaut Area City School District
 For the Fiscal Year Ended June 30, 2013
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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 District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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 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 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, 2013, and the respective changes in financial position, 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*. 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 District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule presents additional analysis and is not a required part of basic financial statements.

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 also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate 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 March 6, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 6, 2014

Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$2,202,995, which represents a 6 percent decrease from fiscal year 2012.
- The amount of property tax available for advance to the District at June 30th decreased \$801,031, or 46 percent, from the previous fiscal year. This decrease was due to a difference in timing and collection at the County level and is a significant factor in the overall decrease in net position and fund balance of District this fiscal year.
- Energy conservation improvements on District buildings were completed during fiscal year 2013.
- 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, permanent improvement fund and 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 2013?" 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

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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 8. 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, the permanent improvement capital projects fund, and the bond retirement fund 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, 2013
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, 2013 compared to June 30, 2012.

Net Position (Table 1)			
Governmental Activities			
	2013	(Restated) 2012	Change
Assets			
Current and Other Assets	\$12,354,468	\$12,681,405	(\$326,937)
Capital Assets, Net	36,048,869	37,382,470	(1,333,601)
<i>Total Assets</i>	<u>48,403,337</u>	<u>50,063,875</u>	<u>(1,660,538)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	87,274	95,586	(8,312)
Liabilities			
Current Liabilities	2,371,681	2,191,162	180,519
Long-Term Liabilities			
Due within One Year	597,933	490,259	107,674
Due in More than One Year	6,216,694	6,993,370	(776,676)
<i>Total Liabilities</i>	<u>9,186,308</u>	<u>9,674,791</u>	<u>(488,483)</u>
Deferred Inflows of Resources			
Property Taxes	3,288,188	2,265,560	1,022,628
Net Position			
Net Investment in Capital Assets	30,317,882	31,198,675	(880,793)
Restricted	4,311,912	3,655,956	655,956
Unrestricted	1,386,321	3,364,479	(1,978,158)
<i>Total Net Position</i>	<u>\$36,016,115</u>	<u>\$38,219,110</u>	<u>(\$2,202,995)</u>

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2013, the District's net position was \$36,016,115, a decrease of 6 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 to decreased cash. 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 2013 and 2012.

Conneaut Area City School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

	Table 2		
	Change in Net Position		
	2013	(Restated) 2012	Increase (Decrease)
Program Revenues			
Charges for Services and Sales	\$519,042	\$464,253	\$54,789
Operating Grants and Contributions	2,130,013	2,337,418	(207,405)
Capital Grants and Contributions	172,506	0	172,506
<i>Total Program Revenues</i>	<u>2,821,561</u>	<u>2,801,671</u>	<u>19,890</u>
General Revenues			
Property Taxes	3,710,424	4,274,903	(564,479)
Intergovernmental	12,261,267	12,339,577	(78,310)
Investment Earnings	5,369	4,533	836
Miscellaneous	58,434	178,097	(119,663)
<i>Total General Revenues</i>	<u>16,035,494</u>	<u>16,797,110</u>	<u>(761,616)</u>
<i>Total Revenues</i>	<u>\$18,857,055</u>	<u>\$19,598,781</u>	<u>(\$741,726)</u>
Program Expenses			
Current:			
Instruction:			
Regular	8,370,062	8,986,849	(616,787)
Special	2,453,469	2,134,243	319,226
Vocational	70,228	148,885	(78,657)
Other	1,254,318	1,451,992	(197,674)
Support Services:			
Pupil	1,139,516	1,066,973	72,543
Instructional Staff	1,614,160	1,316,986	297,174
Board of Education	22,807	26,070	(3,263)
Administration	1,609,972	1,784,183	(174,211)
Fiscal	450,063	426,959	23,104
Business	0	172	(172)
Operation and Maintenance of Plant	1,940,959	1,847,777	93,182
Pupil Transportation	760,589	673,670	86,919
Central	25,222	50,547	(25,325)
Operation of Food Services	853,546	830,147	23,399
Extracurricular Activities	337,309	319,354	17,955
Interest and Fiscal Charges	157,830	168,162	(10,332)
<i>Total Program Expenses</i>	<u>21,060,050</u>	<u>21,232,969</u>	<u>(172,919)</u>
<i>Change in Net Position</i>	<u>(2,202,995)</u>	<u>(1,634,188)</u>	<u>(568,807)</u>
Net Position Beginning of Year	<u>38,219,110</u>	<u>39,853,298</u>	<u>(1,634,188)</u>
<i>Net Position End of Year</i>	<u>\$36,016,115</u>	<u>\$38,219,110</u>	<u>(\$2,202,995)</u>

Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
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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 19.67 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2013 versus 21.81 percent in fiscal year 2012 and 19.34 percent in fiscal year 2011. 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 2013 compared to 2012.

Conneaut Area City School District
Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited*

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

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$12,148,077	\$10,954,875	\$12,721,969	\$11,590,500
Support Services:				
Pupils and Instructional Staff	2,753,676	2,209,763	2,383,959	1,761,894
Board of Education, Administration, Fiscal and Business	2,082,842	2,029,761	2,237,384	2,237,384
Operation and Maintenance of Plant	1,940,959	1,940,959	1,847,777	1,770,825
Pupil Transportation	760,589	760,589	673,670	616,719
Central	25,222	25,222	50,547	50,547
Extracurricular Activities	337,309	78,992	319,354	241,637
Food Service Operations	853,546	80,498	830,147	(6,370)
Interest and Fiscal Charges	157,830	157,830	168,162	168,162
<i>Total Expenses</i>	<u>\$21,060,050</u>	<u>\$18,238,489</u>	<u>\$21,232,969</u>	<u>\$18,431,298</u>

The District's Funds

Information about the District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,238,123 and expenditures of \$20,387,723. The District's governmental funds reported a combined fund balance of \$6,127,228, which is 16 percent lower than last year's restated total of \$7,276,828. The amount of property tax available for advance to the District at June 30th decreased \$801,031, or 46 percent, from the previous fiscal year. This decrease was due to a difference in timing and collection at the County level and is a significant factor in the overall decrease in fund balance of District this fiscal year.

General Fund The general fund balance decreased 29 percent due mainly to decreased revenues, such as property taxes and intergovernmental revenue, as well as increases in several expenditure categories. Expenditures exceeded revenues by \$782,764 during fiscal year 2013.

Permanent Improvement Fund The permanent improvement fund balance increased 37 percent due to a transfer in of \$742,731 from the closed out school facilities fund.

Bond Retirement Fund The bond retirement debt service fund balance increased 3 percent as revenues outpaced expenditures by \$61,432.

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 2013, the School District amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were in line with the final certification. The final certification was slightly higher than the original budgeted revenues, due to higher estimates in property taxes and tuition and fees as the fiscal year progressed. Actual expenditures were \$33,647 less than final appropriations due

Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

mainly to the diligence of management to keep costs low while still providing the services the School District citizens expect.

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 2013 balances compared to fiscal year 2012:

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

	2013	2012
Land	\$1,020,916	\$1,020,916
Construction in Progress	1,680,372	1,657,746
Land Improvements	1,222,832	1,318,954
Buildings and Improvements	30,569,097	31,873,304
Furniture and Fixtures	1,150,460	1,173,427
Vehicles	405,192	338,123
Total	\$36,048,869	\$37,382,470

The overall decrease in capital assets of \$1,333,601 is due to current year depreciation of \$1,618,779 exceeding capital outlays of \$285,178. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2013, this set aside amounted to \$313,964. 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 2013 compared to fiscal year 2012:

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities		
	2013	2012	Change
Bleacher Refinancing Loan	\$224,000	\$224,000	\$0
Classroom Facilities Improvement Refunding Bonds:			
Current Interest Serial Bonds	3,840,000	4,175,000	335,000
Capital Appreciation Bonds	94,999	94,999	0
Accretion on Capital Appreciation Bonds	93,855	55,595	(38,260)
Energy Conservation Term Bonds	1,490,000	1,600,000	110,000
Totals	\$5,742,854	\$6,149,594	\$406,740

Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
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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 \$14,789,263 with an unvoted debt margin of \$206,405. Additional information concerning debt issuances can be found in note 16 to the basic financial statements.

Challenges and Opportunities

Conneaut Area City School District has continued to maintain the highest standards of service to our students, parents and community. The 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 2013. 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 Cotton, Treasurer, at Conneaut Area City School District, 400 Mill Street, Suite B, Conneaut, Ohio 44030 or email at lcotton@cacsk12.org.

Conneaut Area City School District

Ashtabula County, Ohio

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$7,421,675
Accounts Receivable	1,866
Intergovernmental Receivable	62,878
Property Taxes Receivable	4,819,005
Inventory Held for Resale	1,387
Materials and Supplies Inventory	47,657
Nondepreciable Capital Assets	2,701,288
Depreciable Capital Assets, Net	33,347,581
<i>Total Assets</i>	<u>48,403,337</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>87,274</u>
Liabilities	
Accounts Payable	282,147
Accrued Wages and Benefits Payable	1,558,987
Intergovernmental Payable	492,588
Matured Compensated Absences Payable	27,851
Accrued Interest Payable	10,108
Long-Term Liabilities:	
Due Within One Year	597,933
Due In More Than One Year	6,216,694
<i>Total Liabilities</i>	<u>9,186,308</u>
Deferred Inflows of Resources	
Property Taxes	<u>3,288,188</u>
Net Position	
Net Investment in Capital Assets	30,317,882
Restricted for:	
Capital Projects	1,910,759
Debt Service	1,818,035
Other Purposes	583,118
Unrestricted (Deficit)	1,386,321
<i>Total Net Position</i>	<u>\$36,016,115</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, 2013

	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
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,370,062	\$298,374	\$244,604	\$0	(\$7,827,084)
Special	2,453,469	0	650,224	0	(1,803,245)
Vocational	70,228	0	0	0	(70,228)
Other	1,254,318	0	0	0	(1,254,318)
Support Services:					
Pupils	1,139,516	0	153,317	0	(986,199)
Instructional Staff	1,614,160	0	390,596	0	(1,223,564)
Board of Education	22,807	0	0	0	(22,807)
Administration	1,609,972	0	53,081	0	(1,556,891)
Fiscal	450,063	0	0	0	(450,063)
Operation and Maintenance of Plant	1,940,959	0	0	0	(1,940,959)
Pupil Transportation	760,589	0	0	0	(760,589)
Central	25,222	0	0	0	(25,222)
Operation of Food Services	853,546	150,149	622,899	0	(80,498)
Extracurricular Activities	337,309	70,519	15,292	172,506	(78,992)
Interest and Fiscal Charges	157,830	0	0	0	(157,830)
<i>Total Governmental Activities</i>	<u>\$21,060,050</u>	<u>\$519,042</u>	<u>\$2,130,013</u>	<u>\$172,506</u>	<u>(18,238,489)</u>
General Revenues					
Property Taxes Levied for:					
					3,058,970
					409,157
					186,725
					55,572
Grants and Entitlements not					
					12,261,267
					5,369
					58,434
<i>Total General Revenues</i>					<u>16,035,494</u>
Change in Net Position					(2,202,995)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					38,219,110
<i>Net Position End of Year</i>					<u>\$36,016,115</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2013

	General	Permanent Improvement	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,977,212	\$1,841,145	\$1,763,103	\$690,335	\$7,271,795
Restricted Assets:					
Cash and Cash Equivalents	0	0	0	149,880	149,880
Accounts Receivable	1,696	0	0	170	1,866
Interfund Receivable	62,345	0	0	0	62,345
Intergovernmental Receivable	0	0	0	62,878	62,878
Property Taxes Receivable	4,024,249	207,078	522,957	64,721	4,819,005
Inventory Held for Resale	0	0	0	1,387	1,387
Materials and Supplies Inventory	46,277	0	0	1,380	47,657
<i>Total Assets</i>	<u>\$7,111,779</u>	<u>\$2,048,223</u>	<u>\$2,286,060</u>	<u>\$970,751</u>	<u>\$12,416,813</u>
Liabilities					
Accounts Payable	\$119,263	\$102,190	\$0	\$60,694	\$282,147
Accrued Wages and Benefits Payable	1,332,139	0	0	226,848	1,558,987
Intergovernmental Payable	430,010	0	0	62,578	492,588
Matured Compensated Absences Payable	27,851	0	0	0	27,851
Interfund Payable	0	0	0	62,345	62,345
<i>Total Liabilities</i>	<u>1,909,263</u>	<u>102,190</u>	<u>0</u>	<u>412,465</u>	<u>2,423,918</u>
Deferred Inflows of Resources					
Property Taxes	2,764,452	117,982	364,062	41,692	3,288,188
Unavailable Revenue - Property Taxes	475,143	33,528	60,157	8,651	577,479
<i>Total Deferred Inflows of Resources</i>	<u>3,239,595</u>	<u>151,510</u>	<u>424,219</u>	<u>50,343</u>	<u>3,865,667</u>
Fund Balances					
Nonspendable	46,277	0	0	1,380	47,657
Restricted	0	1,794,523	1,861,841	758,386	4,414,750
Assigned	111,801	0	0	0	111,801
Unassigned (Deficit)	1,804,843	0	0	(251,823)	1,553,020
<i>Total Fund Balances</i>	<u>1,962,921</u>	<u>1,794,523</u>	<u>1,861,841</u>	<u>507,943</u>	<u>6,127,228</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,111,779</u>	<u>\$2,048,223</u>	<u>\$2,286,060</u>	<u>\$970,751</u>	<u>\$12,416,813</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, 2013*

Total Governmental Fund Balances	\$6,127,228
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,048,869
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	577,479
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.	(10,108)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,840,000)
Capital Appreciation Bonds	(94,999)
Accretion on Bonds	(93,855)
Unamortized Premium on Bonds	(169,262)
Deferred Charge on Refunding	87,274
Energy Conservation Bond	(1,490,000)
Bleacher Loan	(224,000)
Compensated Absences	(902,511)
	<hr/>
Total	(6,727,353)
	<hr/>
<i>Net Position of Governmental Activities</i>	<i>\$36,016,115</i>

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, 2013

	General	Permanent Improvement	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$3,123,940	\$182,224	\$427,197	\$56,597	\$3,789,958
Tuition and Fees	298,374	0	0	0	298,374
Interest	3,520	0	0	1,849	5,369
Charges for Services	0	0	0	150,149	150,149
Extracurricular Activities	1,400	0	0	69,119	70,519
Contributions and Donations	15,292	0	0	172,506	187,798
Intergovernmental	12,036,606	48,790	101,681	2,490,445	14,677,522
Miscellaneous	58,194	0	0	240	58,434
Total Revenues	15,537,326	231,014	528,878	2,940,905	19,238,123
Expenditures					
Current:					
Instruction:					
Regular	6,777,079	0	0	233,197	7,010,276
Special	1,512,959	0	0	938,144	2,451,103
Vocational	64,561	0	0	0	64,561
Other	1,254,318	0	0	0	1,254,318
Support Services:					
Pupils	914,942	0	0	221,427	1,136,369
Instructional Staff	876,130	181,177	0	554,902	1,612,209
Board of Education	22,807	0	0	0	22,807
Administration	1,617,319	0	0	86,734	1,704,053
Fiscal	436,033	4,569	11,967	1,523	454,092
Operation and Maintenance of Plant	1,756,253	75,573	0	132,557	1,964,383
Pupil Transportation	701,648	144,300	0	0	845,948
Central	22,893	0	0	1,951	24,844
Operation of Food Services	0	0	0	825,444	825,444
Extracurricular Activities	245,665	0	0	86,385	332,050
Capital Outlay	0	83,657	0	28,647	112,304
Debt Service:					
Principal Retirement	110,000	0	335,000	0	445,000
Interest and Fiscal Charges	7,483	0	120,479	0	127,962
Total Expenditures	16,320,090	489,276	467,446	3,110,911	20,387,723
Excess of Revenues Over (Under) Expenditures	(782,764)	(258,262)	61,432	(170,006)	(1,149,600)
Other Financing Sources (Uses)					
Transfers In	0	742,731	0	0	742,731
Transfers Out	0	0	0	(742,731)	(742,731)
Total Other Financing Sources (Uses)	0	742,731	0	(742,731)	0
Net Change in Fund Balances	(782,764)	484,469	61,432	(912,737)	(1,149,600)
Fund Balance Beginning of Year <i>Restated - See Note 3</i>	2,745,685	1,310,054	1,800,409	1,420,680	7,276,828
Fund Balance (Deficit) End of Year	\$1,962,921	\$1,794,523	\$1,861,841	\$507,943	\$6,127,228

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, 2013*

Net Change in Fund Balances - Total Governmental Funds (\$1,149,600)

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

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

Capital Outlay	285,178
Current Year Depreciation	<u>(1,618,779)</u>

Total (1,333,601)

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

Assets Disposed	(134,769)
Accumulated Depreciation on Disposals	<u>134,769</u>

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	(79,534)
Intergovernmental Grants	<u>(301,534)</u>

Total (381,068)

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.

445,000

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	584
Accreted Interest on Capital Appreciation Bonds	(38,260)
Amortization of Bond Premiums	16,120
Amortization of Deferred Charge on Refunding	<u>(8,312)</u>

Total (29,868)

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.

246,142

Change in Net Position of Governmental Activities

(\$2,202,995)

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,805,000	\$3,787,759	\$3,787,759	\$0
Tuition and Fees	293,093	297,489	297,489	0
Interest	3,468	3,520	3,520	0
Extracurricular Activities	1,379	1,400	1,400	0
Intergovernmental	11,858,755	12,036,606	12,036,606	0
Miscellaneous	38,224	38,797	38,797	0
<i>Total Revenues</i>	<u>15,999,919</u>	<u>16,165,571</u>	<u>16,165,571</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	7,712,759	6,904,100	6,870,520	33,580
Special	1,721,414	1,541,403	1,541,403	0
Vocational	88,938	79,611	79,611	0
Other	1,401,421	1,254,445	1,254,445	0
Support Services:				
Pupils	1,039,996	933,646	933,646	0
Instructional Staff	887,817	794,807	794,807	0
Board of Education	25,427	22,760	22,760	0
Administration	1,839,526	1,648,633	1,648,633	0
Fiscal	476,270	426,347	426,347	0
Operation and Maintenance of Plant	1,974,838	1,776,761	1,776,761	0
Pupil Transportation	753,233	675,610	675,610	0
Central	26,660	23,876	23,876	0
Extracurricular Activities	240,015	214,844	214,777	67
Debt Service:				
Principal Retirement	110,000	110,000	110,000	0
Interest and Fiscal Charges	7,483	7,483	7,483	0
<i>Total Expenditures</i>	<u>18,305,797</u>	<u>16,414,326</u>	<u>16,380,679</u>	<u>33,647</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,305,878)</u>	<u>(248,755)</u>	<u>(215,108)</u>	<u>33,647</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	0	1,524	1,524	0
Advances In	15,306	15,306	15,306	0
Transfers In	8,000	8,000	8,000	0
Transfers Out	(8,000)	(8,000)	(8,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>15,306</u>	<u>16,830</u>	<u>16,830</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(2,290,572)</u>	<u>(231,925)</u>	<u>(198,278)</u>	<u>33,647</u>
<i>Fund Balance Beginning of Year</i>	<u>2,863,361</u>	<u>2,863,361</u>	<u>2,863,361</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>153,077</u>	<u>153,077</u>	<u>153,077</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$725,866</u>	<u>\$2,784,513</u>	<u>\$2,818,160</u>	<u>\$33,647</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, 2013

	Private Purpose Trust	
	Scholarship	Agency
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$80,868	\$27,302
Current Liabilities		
Due to Students	0	\$27,302
Net Position		
Held in Trust for Scholarships	\$80,868	

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, 2013*

	<u>Scholarship</u>
Additions	
Interest	\$60
Deductions	
Scholarships Awarded	<u>750</u>
<i>Change in Net Position</i>	(690)
<i>Net Position Beginning of Year</i>	<u>81,558</u>
<i>Net Position End of Year</i>	<u><u>\$80,868</u></u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 86 non-certified employees and 132 certified full-time teaching and administrative personnel who provide services to 1,807 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, 2013

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.

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

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

The other governmental funds of the 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, 2013

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, 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, 2013, but which were levied to finance fiscal year 2014 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. 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, 2013

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 in Pooled Cash and Investments." 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, 2013.

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 2013 amounted to \$3,520, which includes \$1,567 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 the fiscal year. The District

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

All reported capital assets, except land, 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 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.

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For the Fiscal Year Ended June 30, 2013

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.

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For the Fiscal Year Ended June 30, 2013

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
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 – Change in Accounting Principle and Restatement of Prior Year Fund Balance & Net Position

A. Change in Accounting Principles

For fiscal year 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements and had an effect on beginning net position as reported below.

B. Restatement of Prior Year Net Position

	<u>Governmental Activities</u>
Net Position at June 30, 2012	\$39,878,671
GASB 65 - Unamortized Bond Issuance Costs	(119,781)
Restatement of Prior Year Payables	<u>(1,539,780)</u>
Adjusted Net Position at June 30, 2012	<u>\$38,219,110</u>

Conneaut Area City School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

The District restated intergovernmental payables in the amount of \$1,539,780 to account for payables to the Ohio School Facilities Commission previously not reported.

C. Restatement of Prior Year Fund Balances

	General Fund	Permanent Improvement	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2012	\$4,020,685	\$1,310,054	\$1,800,409	\$1,685,460	\$8,816,608
Restatement of Prior Year Payables	<u>(1,275,000)</u>	<u>0</u>	<u>0</u>	<u>(264,780)</u>	<u>(1,539,780)</u>
Adjusted Fund Balance at June 30, 2012	<u>\$2,745,685</u>	<u>\$1,310,054</u>	<u>\$1,800,409</u>	<u>\$1,420,680</u>	<u>\$7,276,828</u>

Note 4 – Fund Deficit

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Early Childhood Education	\$23,439
Race to the Top	8,291
IDEA Part B	47,904
Title I Fund	142,250
Class Size Reduction	24,703
Miscellaneous Federal Grants	5,236

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.

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).

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.
 5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*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	(\$782,764)
Net Adjustment for Revenue Accruals	1,903,246
Advances In	15,306
Net Adjustment for Expenditure Accruals	84,914
Net Adjustment for Funds Budgeted as Special Revenue	(1,265,477)
Adjustment for Encumbrances	<u>(153,503)</u>
Budget Basis	<u><u>(\$198,278)</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.

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;

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Notes to the Basic Financial Statements
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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 (STAROhio);
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 30th, the carrying amount of all District deposits was \$412,123, while \$448,323 of the District's bank balance of \$698,323 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.

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, 2013, the District had STAR Ohio as the only investment with an amount of \$7,117,722 and an average maturity less than six months.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 STAROhio 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 amount it may invest in any one issuer. At June 30, 2013, STAROhio represented 100 percent of all District investments.

Reconciliation of Cash and Investment 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, 2013:

Cash and Investments per Note Disclosure

Carrying amount of deposits	\$412,123
Investments	<u>7,117,722</u>
Total	<u><u>\$7,529,845</u></u>

Cash and Investments per Statement of Net Position

Governmental activities	\$7,421,675
Private-purpose trust funds	80,868
Agency funds	<u>27,302</u>
Total	<u><u>\$7,529,845</u></u>

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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	Permanent Improvement	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable</i>					
Inventory	\$46,277	\$0	\$0	\$1,380	\$47,657
<i>Restricted for</i>					
Food Service Operations	0	0	0	154,306	154,306
Classroom Maintenance	0	0	0	222,200	222,200
Debt Service Payments	0	0	1,861,841	0	1,861,841
Capital Improvements	0	1,794,523	0	82,708	1,877,231
Other Purposes	0	0	0	299,172	299,172
<i>Total Restricted</i>	0	1,794,523	1,861,841	758,386	4,414,750
<i>Assigned to</i>					
Other Purposes	67,894	0	0	0	67,894
Encumbrances	43,907	0	0	0	43,907
<i>Total Assigned</i>	111,801	0	0	0	111,801
<i>Unassigned (Deficit)</i>	1,804,843	0	0	(251,823)	1,553,020
<i>Total Fund Balances</i>	\$1,962,921	\$1,794,523	\$1,861,841	\$507,943	\$6,127,228

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 2013 represent collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, are available to finance fiscal year 2013 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, 2013 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, 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. The amount available as an advance at June 30, 2012, was \$1,448,473 in the general fund, \$202,191 in the bond retirement debt service fund, \$77,779 in the permanent improvement capital projects fund and \$25,926 in the classroom facilities maintenance special revenue fund. The large decrease in the amount available from the prior fiscal year is the result of differences in timing and collection made by the County Auditor.

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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$180,694,870	96.4%	\$206,404,680	96.6%
Public Utility Personal	6,761,460	3.6%	7,316,690	3.4%
	\$187,456,330	100.0%	\$213,721,370	100.0%
Tax Rate per \$1,000 of assessed valuation	\$36.40		\$37.63	

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Capital Assets, not being depreciated:				
Land	\$1,020,916	\$0	\$0	\$1,020,916
Construction in Progress	1,657,746	22,626	0	1,680,372
Total Capital Assets, not being depreciated:	2,678,662	22,626	0	2,701,288
Capital Assets, being depreciated:				
Land Improvements	2,088,632	9,324	0	2,097,956
Buildings and Improvements	45,383,523	0	0	45,383,523
Furniture, Equipment and Fixtures	2,576,943	107,428	(62,769)	2,621,602
Vehicles	1,449,386	145,800	(72,000)	1,523,186
Textbooks	1,107,757	0	0	1,107,757
Total Capital Assets, being depreciated	52,606,241	262,552	(134,769)	52,734,024
Less Accumulated Depreciation:				
Land Improvements	(769,678)	(105,446)	0	(875,124)
Building and Improvements	(13,510,219)	(1,304,207)	0	(14,814,426)
Furniture, Equipment and Fixtures	(1,403,516)	(130,395)	62,769	(1,471,142)
Vehicles	(1,111,263)	(78,731)	72,000	(1,117,994)
Textbooks	(1,107,757)	0	0	(1,107,757)
Total Accumulated Depreciation	(17,902,433)	(1,618,779) *	134,769	(19,386,443)
Total Capital Assets being depreciated, net	34,703,808	(1,356,227)	0	33,347,581
Governmental Activities Capital Assets, Net	\$37,382,470	(\$1,333,601)	\$0	\$36,048,869

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,475,693
Special	314
Vocational	4,790
Support Services:	
Pupil	1,307
Instructional Staff	9,471
Administration	1,336
Operation and Maintenance of Plant	21,467
Pupil Transportation	69,133
Central	378
Operation of Food Services	29,711
Extracurricular Activities	5,179
Total Depreciation Expense	\$1,618,779

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 10 – Receivables

Receivables at June 30, 2013 consisted of accrued interest, 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:

Non-major Governmental Fund:	
Title I Grant	\$62,878

Note 11 – Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2013, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$62,345	\$0
Non-major Governmental Fund:		
Title I	0	62,345
Total	\$62,345	\$62,345

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 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.

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Notes to the Basic Financial Statements
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Insurance

Life insurance is offered to employees through Minnesota Life Insurance Company. Certified and classified employees are covered for \$40,000 with payments of \$4.20 per month. The superintendent is covered for \$150,000 with payments of \$15.75 per month. 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, 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, 2013, 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, 2013, 2012 and 2011 were \$265,982, \$279,485 and \$265,541, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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.

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 31st 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 10.5 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.

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.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$961,625, \$1,126,970 and \$1,143,840, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$33,349 made by the School District and \$23,820 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2013.

Additional information or copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* 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.

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.

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 2013 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.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74 percent. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,025, \$16,505 and \$17,088, respectively, which equaled the required contributions each year.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, the health care allocation is 0.16 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 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$3,249, \$12,104 and \$32,153, respectively; 52 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, under *Employers/Audit Resources*.

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 or by requesting a copy by calling toll free (888) 227-7877.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013, 2012 and 2011. 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, 2013, 2012 and 2011 were \$73,971, \$82,453 and \$82,655, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 15 – 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)	\$77,798,849
Equipment Breakdown (\$1,000 Deductible)	50,000,000
Crime Coverage (\$1,000 Deductible)	100,000
Educator's Legal Liability (\$5,000 Deductible)	12,000,000
Automobile Liability (\$0 Deductible)	12,000,000
General Liability (\$0 Deductible)	12,000,000

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

Employee Medical Benefits

The 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 2013, 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.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
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

A summary of changes in long-term obligations for the year ended June 30, 2013, were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts due in One Year
General Obligation Bonds:					
Classroom Facilities Improvement Refunding Bonds					
Serial Bonds	\$4,175,000	\$0	(\$335,000)	\$3,840,000	\$340,000
Capital Appreciation Bonds	94,999	0	0	94,999	0
Accretion	55,595	38,260	0	93,855	0
Premium	185,382	0	(16,120)	169,262	0
Total Classroom Facilities Improvement Refunding Bonds	4,510,976	38,260	(351,120)	4,198,116	340,000
Energy Conservation Improvement Bonds	1,600,000	0	(110,000)	1,490,000	110,000
Total General Obligation Bonds	6,110,976	38,260	(461,120)	5,688,116	450,000
Other Long-Term Obligations:					
Bleacher Loan	224,000	0	0	224,000	56,000
Compensated Absences	1,148,653	115,930	(362,072)	902,511	91,933
Total Other Long-Term Obligations	1,372,653	115,930	(362,072)	1,126,511	147,933
Total Long-Term Obligations	\$7,483,629	\$154,190	(\$823,192)	\$6,814,627	\$597,933

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 \$94,000, respectively. The bonds were issued for a fourteen year period with a final maturity at December 1, 2023. The final maturity amount of outstanding capital appreciation bonds at June 30, 2013, is \$365,000.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The accretion recorded for 2013 was \$38,260, for a total outstanding bond liability of \$188,854. 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, 2013, \$4,090,000 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.

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 (\$115,000) 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 \$14,789,263 with an unvoted debt margin of \$206,405 at June 30, 2013. Principal and interest requirements to retire general obligation bonds follow:

Conneaut Area City School District
Ashtabula County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

Fiscal Year	General Obligation Bonds							
	Serial		Capital Appreciation		Term		Bleacher Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$340,000	\$117,128	\$0	\$0	\$110,000	\$73,903	\$56,000	\$5,880
2015	350,000	110,328	0	0	115,000	68,109	56,000	4,200
2016	355,000	103,328	0	0	115,000	62,187	56,000	2,520
2017	0	95,518	94,999	270,001	115,000	56,264	56,000	840
2018	365,000	95,518	0	0	115,000	50,341	0	0
2019-2023	1,990,000	299,354	0	0	575,000	162,870	0	0
2024-2028	440,000	17,600	0	0	345,000	26,652	0	0
Total	\$3,840,000	\$838,774	\$94,999	\$270,001	\$1,490,000	\$500,326	\$224,000	\$13,440

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 2013. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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, 2013.

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.

	<u>Capital Improvements</u>
Set-Aside Restricted Balance as of June 30, 2012	\$0
Current Year Set-Aside Requirement	313,964
Qualifying Disbursements	(35,566)
Current Year Offsets	<u>(314,409)</u>
Total	<u><u>(\$36,011)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>
Cash balance as of June 30, 2013	<u><u>\$0</u></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.

**CONNEUAT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS RECEIPT AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	n/a	10.553	\$ 117,222	\$ -	\$ 117,222	\$ -
National School Lunch Program	n/a	10.555	417,812	74,424	417,812	74,424
Total -- Nutrition Cluster			535,034	74,424	535,034	74,424
Total U.S. Department of Agriculture			535,034	74,424	535,034	74,424
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	2012	84.010	300,659		305,742	
	2013		657,969		720,312	
Total -- Title I			958,628		1,026,054	
<i>Special Education Cluster:</i>						
Special Education Grants to States - (IDEA Part B)	2012	84.027	-		189,152	
	2013		355,940		476,041	
Early Childhood Special Education	2012	84.173	4,775		4,776	
	2013		17,723		17,337	
Total - Special Education Cluster			378,438		687,306	
Title II-D -- Technology Literacy Challenge Fund Grants	2012	84.318	642		960	
Education Jobs	2012	84.410	12,931		4,918	
Rural Education Grant	2012	84.358	7,568		7,571	
	2013		29,972		29,898	
Total Rural Education Grant			37,540		37,469	
Title II, Part A -- Improving Teacher Quality	2012	84.367	45,502		45,560	
	2013		128,645		128,623	
Total - Title II Part A			174,147		174,183	
Race-to-the-Top Incentive Grants	ARRA 2012	84.395	11,835		12,335	
	2013		122,537		120,736	
Total - Race-to-the-Top Incentive Grants			134,372		133,071	
Total -- U.S. Department of Education			1,696,698		2,063,961	
Totals			\$ 2,231,732	\$ 74,424	\$ 2,598,995	\$ 74,424

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, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The 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 District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 Government'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 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the 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

March 6, 2014



Dave Yost • Auditor of State

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

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

To The Board of Education:

Report on Compliance for the Major Federal Programs

We have audited the Conneaut Area City School District's (the 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 each of the Conneaut Area City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The 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 District's compliance for the District's major federal programs 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 programs occurred. An audit includes examining, on a test basis, evidence about the District's 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 District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Programs

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 each of major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The 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 District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal programs, to determine our auditing procedures appropriate for opining on the 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 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

March 6, 2013

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

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): Special Educational Cluster Nutrition Cluster Title II A	CFDA Number 84.027, 84.173 10.553, 10.555 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To The Board of Education:

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

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

1. We noted the Board of Education amended its anti-harassment policy at its meeting on March 30, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act";

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

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

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

Dave Yost
Auditor of State

March 6, 2014



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 18, 2014