

Ashtabula Area City School District

**Basic Financial Statements
June 30, 2009**



Mary Taylor, CPA
Auditor of State

Board of Education
Ashtabula Area City School District
401 West 44th Street
Ashtabula, Ohio 44004

We have reviewed the *Independent Auditors' Report* of the Ashtabula Area City School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 12, 2010

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Ashtabula Area City School District

For the Fiscal Year Ended June 30, 2009

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Ashtabula Area City School District

For the Fiscal Year Ended June 30, 2009

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Independent Auditors' Report

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, during the year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

Board of Education
Ashtabula Area City School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 18, 2009

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the Ashtabula 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, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- Total net assets of governmental activities increased \$21,896,636, which represents a 58 percent increase from 2008.
- Total general revenues equaled \$60,148,917 or 87 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$8,731,270 or 13 percent of total revenues.
- Total assets of governmental activities increased by \$19,559,663, due largely to activity in the Classroom Facilities Fund.
- The District had \$46,983,551 in expenses related to governmental activities; \$8,731,270 of these expenses was offset by program specific charges for services, grants, contributions and interest.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$27,732,379, or an increase of \$9,994,545 in comparison with the prior year.
- Outstanding debt was decreased from a balance of \$39,361,933 in 2008 to \$38,678,699; and the accretion balance on the capital asset appreciation bonds decreased from \$752,660 to \$196,371.

Using this Annual Financial Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets and the Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets 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, operation of food services and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The presentation of the District's major funds begins on page 14. 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, bond retirement fund, permanent improvement fund, the construction fund, and the classroom facilities 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 known as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets and the Statement of Activities*) and governmental funds is reconciled in the financial statements.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The District's total net assets increased from a year ago, as shown in Table 1. The District was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements and rising costs.

Table 1 provides a summary of the District's net assets for 2009 compared to 2008:

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Assets:		
Current assets	\$ 45,572,481	\$ 36,229,168
Capital assets	<u>69,904,437</u>	<u>59,688,087</u>
Total assets	<u>115,476,918</u>	<u>95,917,255</u>
Liabilities:		
Current liabilities	13,574,403	14,649,202
Long term liabilities:		
Due within one year	2,375,939	2,262,921
Due in more than one year	<u>39,873,964</u>	<u>41,249,156</u>
Total liabilities	<u>55,824,306</u>	<u>58,161,279</u>
Net assets:		
Invested in capital assets, net of debt	30,855,063	19,887,820
Restricted	27,316,161	16,047,967
Unrestricted	<u>1,481,388</u>	<u>1,820,189</u>
Total net assets	\$ <u>59,652,612</u>	\$ <u>37,755,976</u>

Total assets increased by \$19,559,663 mainly due to increases in capital assets. Increase in capital assets mainly due to construction in progress additions.

Total liabilities decreased \$2,336,973 mainly due to a decrease in accounts payable, retainage payable, deferred revenue, and debt due within more than one year. In order to further understand what makes up the changes in net assets for the current and previous year, the following table gives readers further details regarding the results of activities for each year.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

Changes in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 802,429	\$ 928,627
Operating grants and contributions	<u>7,928,841</u>	<u>7,501,489</u>
Total program revenues	<u>8,731,270</u>	<u>8,430,116</u>
General revenues:		
Property taxes	14,285,636	14,564,315
Grants and entitlements	45,410,928	28,708,567
Investment earnings	227,533	848,963
Miscellaneous	216,015	1,015,918
Gain on sale of assets	<u>8,805</u>	<u>-</u>
Total general revenues	<u>60,148,917</u>	<u>45,137,763</u>
Total revenues	<u>68,880,187</u>	<u>53,567,879</u>
Program expenses:		
Instruction:		
Regular education	19,296,039	18,860,176
Special education	6,182,656	5,901,954
Vocational education	184,877	283,881
Other	1,590,018	1,749,409
Support services	14,887,507	15,096,433
Operation of non-instructional services	1,194,084	1,624,775
Extracurricular activities	852,784	924,132
Facilities acquisition and construction	921,662	354,333
Interest and fiscal charges	<u>1,873,924</u>	<u>2,088,161</u>
Total program expenses	<u>46,983,551</u>	<u>46,883,254</u>
Change in net assets	21,896,636	6,684,625
Net assets at beginning of year	<u>37,755,976</u>	<u>31,071,351</u>
Net assets at end of year	\$ <u>59,652,612</u>	\$ <u>37,755,976</u>

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

Governmental Activities

Net assets of the District's governmental activities increased by \$21,896,636. Program revenues of \$8,731,270 and general revenues of \$60,148,917 were sufficient to offset total governmental expenses of \$46,983,551. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent 98.18 percent of total governmental revenue.

Instruction and support services comprise 58.01 and 31.69 percent of governmental program expenses, respectively. Interest expense was 3.99 percent. Interest expense was attributable to the outstanding bonds and notes for various projects. Overall, governmental program expenses increased \$100,297, mainly due to an increase regular instruction and facilities acquisition and construction.

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 2009 and 2008. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	<u>Total Cost of Services 2009</u>	<u>Net Cost of Services 2009</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Program expenses:				
Instruction	\$ 27,253,590	\$ 19,314,008	\$ 26,795,420	\$ 19,289,185
Support services:				
Pupil	2,136,569	2,136,569	2,147,761	2,147,761
Instructional staff	2,301,466	2,298,496	2,215,148	2,212,178
Board of education	157,038	157,038	167,547	167,547
Administration	2,484,490	2,484,490	2,635,133	2,635,133
Fiscal	820,006	820,006	937,394	937,394
Business	709,828	709,828	567,279	567,279
Operation and maintenance of plant	4,012,912	3,896,991	4,204,479	4,122,026
Pupil transportation	2,235,599	2,170,439	2,107,773	2,055,656
Central	29,599	(9,831)	113,919	69,274
Operation of non-instructional services	1,194,084	844,680	1,624,775	1,157,018
Extracurricular activities	852,784	633,981	924,132	650,193
Facilities acquisition and construction	921,662	921,662	354,333	354,333
Interest and fiscal charges	1,873,924	1,873,924	2,088,161	2,088,161
Total expenses	\$ <u>46,983,551</u>	\$ <u>38,252,281</u>	\$ <u>46,883,254</u>	\$ <u>38,453,138</u>

The dependence upon tax and grant entitlements revenues during fiscal year 2009 for governmental activities is apparent, as 81 percent of 2009 governmental activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$68,723,696, expenditures of \$58,740,285, and net other financing sources and uses of \$11,134. The net change in fund balance for the year was most significant in the Classroom Facilities Fund, where the fund balance increased by \$9,155,961 due to quarterly draw-down on Ohio Schools Facilities Commission monies.

General Fund Budget Information

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

During the course of fiscal 2009, the District amended its general fund budget periodically as defined by individual team needs.

Capital Assets

At the end of fiscal 2009 the District had \$69,904,437 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2009 balances compared to 2008.

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

	Governmental Activities	
	2009	2008
Land	\$ 500,775	\$ 375,228
Construction in progress	19,927,383	8,700,834
Land improvements	369,596	371,388
Buildings	45,028,606	45,963,831
Furniture and equipment	2,231,397	2,501,203
Vehicles	1,127,485	975,820
Textbooks	<u>719,195</u>	<u>799,783</u>
Totals	\$ <u>69,904,437</u>	\$ <u>59,688,087</u>

The majority of the increase was the result of the continuation of the capital improvement and construction program.

Additional information concerning the District's capital assets can be found in Note 8 to the financial statements.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

Debt

At June 30, 2009, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	<u>2009</u>	<u>2008</u>
2004 School Construction and Improvement		
General Obligation Bonds:		
Serial Bonds	\$ 38,470,000	\$ 38,910,000
Capital Appreciation Bonds	208,699	451,933
Accretion on Capital Appreciation Bonds	<u>196,371</u>	<u>752,660</u>
Total	\$ <u>38,875,070</u>	\$ <u>40,114,593</u>

Additional information concerning the District's bonds can be found in Note 9 to the financial statements.

Current Financial Related Activities

Schools in Ohio are funded by the state and federal government and by local property taxes. Local money is necessary in Ashtabula, just as it is throughout the state to keep the schools running.

Another challenge facing the District is the future of State funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Ohio General Assembly was directed to enact a school funding mechanism that is to be thorough and efficient. The District is unable to determine what effect, if any, this decision will have on future funding from the State. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Since 1990, the school system has had only one new operating levy. This 5 mill levy was passed in November of 2000, for a period of three years. This operating levy was replaced by a 5 mill continuing levy approved by the electorate in August, 2003.

In 2001, Ashtabula and Harbor High Schools were consolidated to form the new Lakeside High School. In May of 2002, the community passed a bond issue that, in combination with monies from the State of Ohio, will provide new schools throughout the district. The State has committed to fund 70% of the total project cost that meet the standards established by the Ohio Schools Facilities Commission. Other portions of the project are funded completely with local funds that were approved by the voters. The "Locally Funded Initiatives", as they are called, include a Performing Arts Center, Large Group Instruction Area, and an Athletic Complex.

The first school to be built is a new high school located on Sanborn Road in Saybrook Township. The new building, stadium and other athletic fields were put into service at the end of August, 2007. Construction work on the new junior high school began in early 2007 and was put into service at the end of August 2009; Construction on the elementary buildings began in August 2009.

Ashtabula Area City School District

Management's Discussion and Analysis (Unaudited) (continued)

For the Fiscal Year Ended June 30, 2009

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 401 West 44th Street, Ashtabula, Ohio 44005, or telephone (440) 993-2505.

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Ashtabula Area City School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 11,738,753
Restricted cash	18,381,552
Accounts receivable	64,746
Intergovernmental receivable	1,344,298
Materials and supplies inventory	88,376
Property taxes receivable	13,954,756
Non-depreciable capital assets	20,428,158
Depreciable capital assets, net	<u>49,476,279</u>
Total assets	<u>115,476,918</u>
Liabilities:	
Accounts payable	1,029,344
Accrued wages and benefits	3,032,315
Intergovernmental payable	1,416,068
Accrued interest payable	145,084
Matured compensated absences payable	216,933
Claims payable	1,298,400
Retainage payable	210,388
Deferred revenue	6,225,871
Long-term liabilities:	
Due within one year	2,375,939
Due in more than one year	<u>39,873,964</u>
Total liabilities	<u>55,824,306</u>
Net assets:	
Invested in capital assets, net of related debt	30,855,063
Restricted for:	
Capital projects	21,526,141
Debt service	3,393,526
Other purposes	2,396,494
Unrestricted	<u>1,481,388</u>
Total net assets	<u>\$ 59,652,612</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular education	\$ 19,296,039	\$ 352,860	\$ 3,847,327	\$ (15,095,852)
Special education	6,182,656	-	3,739,395	(2,443,261)
Vocational education	184,877	-	-	(184,877)
Other instruction	1,590,018	-	-	(1,590,018)
Support services:				
Pupil	2,136,569	-	-	(2,136,569)
Instructional staff	2,301,466	-	2,970	(2,298,496)
Board of education	157,038	-	-	(157,038)
Administration	2,484,490	-	-	(2,484,490)
Fiscal	820,006	-	-	(820,006)
Business	709,828	-	-	(709,828)
Operation and maintenance of plant	4,012,912	-	115,921	(3,896,991)
Pupil transportation	2,235,599	65,160	-	(2,170,439)
Central	29,599	-	39,430	9,831
Operation of non-instructional services:				
Food service operations	1,194,084	324,784	24,620	(844,680)
Extracurricular activities	852,784	59,625	159,178	(633,981)
Facilities acquisitions and construction services	921,662	-	-	(921,662)
Interest and fiscal charges	1,873,924	-	-	(1,873,924)
Total governmental activities	<u>\$ 46,983,551</u>	<u>\$ 802,429</u>	<u>\$ 7,928,841</u>	<u>(38,252,281)</u>

General revenues:

Property taxes levies for:

General purpose	9,606,325
Debt service	3,102,137
Capital outlay	1,379,280
Capital maintenance	197,894
Grant and entitlements not restricted to specific programs	25,480,303
Grant from school facilities commission for capital construction	19,930,625
Investment earnings	227,533
Miscellaneous revenue	216,015
Gain on sale of assets	8,805
Total general revenues	<u>60,148,917</u>
Change in net assets	21,896,636
Net assets at beginning of year	<u>37,755,976</u>
Net assets at end of year	<u>\$ 59,652,612</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Balance Sheet Governmental Funds

June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 911,056	\$ 2,049,422	\$ 3,310,841	\$ -
Restricted cash	-	-	-	1,299,823
Taxes receivable	9,247,551	3,148,989	1,360,483	-
Accounts receivable	37,926	-	-	26,820
Intergovernmental receivable	-	-	-	-
Interfund receivable	456,502	-	-	-
Materials and supplies inventory	62,344	-	-	-
Total assets	<u>\$ 10,715,379</u>	<u>\$ 5,198,411</u>	<u>\$ 4,671,324</u>	<u>\$ 1,326,643</u>
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 150,041	\$ -	\$ 26,255	\$ 71,971
Accrued wages and benefits	2,427,885	-	-	-
Accrued compensated absences	211,776	-	-	-
Intergovernmental payable	1,111,060	-	-	-
Interfund payable	-	-	-	-
Deferred revenue	5,113,519	1,815,278	765,141	-
Retainage payable	-	-	-	-
Total liabilities	<u>9,014,281</u>	<u>1,815,278</u>	<u>791,396</u>	<u>71,971</u>
Fund balances:				
Reserved for encumbrances	121,930	-	301,006	337,163
Reserved for property taxes	4,134,032	1,333,711	595,342	-
Unreserved (deficit); undesignated for:				
General fund	(2,554,864)	-	-	-
Special revenue funds	-	-	-	-
Debt Service funds	-	2,049,422	-	-
Capital projects funds	-	-	2,983,580	917,509
Total fund balances	<u>1,701,098</u>	<u>3,383,133</u>	<u>3,879,928</u>	<u>1,254,672</u>
Total liabilities and fund balances	<u>\$ 10,715,379</u>	<u>\$ 5,198,411</u>	<u>\$ 4,671,324</u>	<u>\$ 1,326,643</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,891,402	\$ 8,162,721
17,081,729	-	18,381,552
-	197,733	13,954,756
-	-	64,746
-	1,344,298	1,344,298
-	-	456,502
-	<u>26,032</u>	<u>88,376</u>
\$ <u>17,081,729</u>	\$ <u>3,459,465</u>	\$ <u>42,452,951</u>
\$ 641,949	\$ 139,128	\$ 1,029,344
-	604,430	3,032,315
-	5,157	216,933
-	218,073	1,329,133
-	456,502	456,502
-	752,019	8,445,957
<u>210,388</u>	<u>-</u>	<u>210,388</u>
<u>852,337</u>	<u>2,175,309</u>	<u>14,720,572</u>
2,034,010	178,177	2,972,286
-	85,473	6,148,558
-	-	(2,554,864)
-	1,020,506	1,020,506
-	-	2,049,422
<u>14,195,382</u>	<u>-</u>	<u>18,096,471</u>
<u>16,229,392</u>	<u>1,284,156</u>	<u>27,732,379</u>
\$ <u>17,081,729</u>	\$ <u>3,459,465</u>	\$ <u>42,452,951</u>

Ashtabula Area City School District

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

June 30, 2009

Total governmental fund balances		\$	27,732,379
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			69,904,437
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			
Delinquent property taxes	\$	1,580,327	
Grants		<u>639,759</u>	
Total			2,220,086
Internal Service Funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			
			2,190,697
Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the statement of net assets.			
			(370,675)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation serial bonds		(38,470,000)	
Capital appreciation bonds		(208,699)	
Bond accretion		(196,371)	
Compensated absences payable		(3,004,158)	
Accrued interest payable		<u>(145,084)</u>	
Total			<u>(42,024,312)</u>
Net assets of governmental activities		\$	<u>59,652,612</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

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Ashtabula Area City School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
Revenues:				
Taxes	\$ 9,605,226	\$ 3,071,760	\$ 1,375,147	\$ -
Intergovernmental	23,276,202	546,052	367,654	-
Tuition and fees	414,517	-	-	-
Earnings on investments	157,457	-	-	16,930
Extracurricular activities	1,146	-	-	-
Miscellaneous revenue	258,131	3,994	7,667	-
Charges for services	-	-	-	-
Refund of prior year expenditures	7,178	-	-	26,820
Total revenues	<u>33,719,857</u>	<u>3,621,806</u>	<u>1,750,468</u>	<u>43,750</u>
Expenditures:				
Current:				
Instruction:				
Regular education	16,439,184	-	524,029	28,165
Special education	3,948,152	-	875	-
Vocational education	203,472	-	-	-
Other instruction	359,313	-	-	-
Support services:				
Pupil	1,743,474	-	-	-
Instructional staff	1,174,895	-	-	-
Board of education	156,804	-	-	-
Administration	2,281,627	-	14,253	-
Fiscal	718,967	63,007	31,251	-
Business	690,723	-	-	-
Operation and maintenance of plant	3,769,100	-	162,707	-
Pupil transportation	1,646,079	-	262,207	-
Central	20,603	-	-	-
Food service operations	-	-	-	-
Extracurricular activities	416,621	-	-	-
Refund of prior year receipts	90,822	-	-	-
Capital outlay	5,923	-	154,416	420,633
Debt services:				
Principal	-	683,234	-	-
Interest and fiscal charges	-	2,448,389	-	-
Total expenditures	<u>33,665,759</u>	<u>3,194,630</u>	<u>1,149,738</u>	<u>448,798</u>
Excess of revenues over (under) expenditures	<u>54,098</u>	<u>427,176</u>	<u>600,730</u>	<u>(405,048)</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 196,942	\$ 14,249,075
19,881,211	9,005,900	53,077,019
-	3,503	418,020
51,976	1,170	227,533
-	87,442	88,588
-	34,569	304,361
-	324,784	324,784
-	318	34,316
<u>19,933,187</u>	<u>9,654,628</u>	<u>68,723,696</u>
-	2,051,045	19,042,423
-	2,100,454	6,049,481
-	-	203,472
-	1,296,601	1,655,914
-	400,000	2,143,474
-	1,124,944	2,299,839
-	-	156,804
-	172,392	2,468,272
-	4,434	817,659
-	6,781	697,504
-	125,945	4,057,752
-	198,481	2,106,767
-	8,996	29,599
-	1,516,338	1,516,338
-	415,465	832,086
-	31,840	122,662
10,777,226	-	11,358,198
-	50,418	733,652
-	-	2,448,389
<u>10,777,226</u>	<u>9,504,134</u>	<u>58,740,285</u>
<u>9,155,961</u>	<u>150,494</u>	<u>9,983,411</u>

Continued

Ashtabula Area City School District

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (continued)

For the Fiscal Year Ended June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
Other financing sources (uses):				
Sale of capital assets	7,134	-	4,000	-
Transfers – in	-	-	-	-
Transfers – out	<u>(33,563)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(26,429)</u>	<u>-</u>	<u>4,000</u>	<u>-</u>
Net change in fund balance	27,669	427,176	604,730	(405,048)
Fund balance at beginning of year	<u>1,673,429</u>	<u>2,955,957</u>	<u>3,275,198</u>	<u>1,659,720</u>
Fund balance at end of year	\$ <u>1,701,098</u>	\$ <u>3,383,133</u>	\$ <u>3,879,928</u>	\$ <u>1,254,672</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
-	-	11,134
-	33,563	33,563
-	-	<u>(33,563)</u>
<u>-</u>	<u>33,563</u>	<u>11,134</u>
9,155,961	184,057	9,994,545
<u>7,073,431</u>	<u>1,100,099</u>	<u>17,737,834</u>
\$ <u><u>16,229,392</u></u>	\$ <u><u>1,284,156</u></u>	\$ <u><u>27,732,379</u></u>

Ashtabula Area City School District

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances – Total Governmental Funds	\$ 9,994,545
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 the capital outlay exceeds depreciation in the current period.	10,218,679
Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.	(2,329)
Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	36,561
Intergovernmental	262,750
Repayment of long-term liabilities are expenditures in the governmental funds, but they reduce the liability balance in the statement of net assets.	683,234
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. The governmental funds report the effect of bond accretion when the issuance matures, whereas these amounts are accrued in the statement of activities.	
Change in accrued interest payable	935
Accretion on capital appreciation bonds	556,289
Premium	17,241
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.	
Compensated absences	(45,008)
Capital leases	50,418
The Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related Internal Service fund revenues are eliminated. The net revenue (expense) of Internal Service Funds are allocated among the governmental activities.	<u>123,321</u>
Change in net assets of governmental activities	\$ <u><u>21,896,636</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

For the Fiscal Year Ended June 30, 2009

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 10,165,099	\$ 11,274,969	\$ 9,559,641	\$ (1,715,328)
Tuition and fees	394,435	383,588	418,224	34,636
Earnings on investments	148,501	144,417	157,457	13,040
Extracurricular activities	1,081	1,051	1,146	95
Miscellaneous revenue	243,448	236,754	258,131	21,377
Intergovernmental	21,916,450	21,313,775	23,238,276	1,924,501
Refund of prior year expenditures	45,430	44,181	48,170	3,989
Total revenues	<u>32,914,444</u>	<u>33,398,735</u>	<u>33,681,045</u>	<u>282,310</u>
Expenditures:				
Current:				
Instruction:				
Regular education	15,977,464	16,061,340	16,287,426	(226,086)
Special education	3,884,736	3,905,130	3,960,100	(54,970)
Vocational education	205,270	206,347	209,252	(2,905)
Other instruction	369,259	371,198	376,423	(5,225)
Support services:				
Pupil	1,744,374	1,753,532	1,778,215	(24,683)
Instructional staff	1,147,200	1,153,223	1,169,456	(16,233)
Board of education	150,917	151,709	153,845	(2,136)
Administration	2,187,751	2,199,236	2,230,193	(30,957)
Fiscal	775,785	779,857	790,835	(10,978)
Business	686,253	689,855	699,566	(9,711)
Operation and maintenance of plant	3,737,093	3,756,711	3,809,592	(52,881)
Pupil transportation	1,626,670	1,635,209	1,658,227	(23,018)
Central	20,794	20,903	21,197	(294)
Extracurricular activities	408,870	411,016	416,802	(5,786)
Capital outlay	5,810	5,841	5,923	(82)
Refund of prior year receipts	89,094	89,561	90,822	(1,261)
Total expenditures	<u>33,017,340</u>	<u>33,190,668</u>	<u>33,657,874</u>	<u>(467,206)</u>
Excess of revenues over (under) expenditures	<u>(102,896)</u>	<u>208,067</u>	<u>23,171</u>	<u>(184,896)</u>

Continued

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual – General Fund (continued)

For the Fiscal Year Ended June 30, 2009

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Sale of capital assets	6,728	6,543	7,134	591
Advances – out	(292,689)	(292,689)	(292,689)	-
Transfers – out	(32,924)	(33,097)	(33,563)	(466)
Total other financing sources (uses)	<u>(318,885)</u>	<u>(319,243)</u>	<u>(319,118)</u>	<u>125</u>
Net change in fund balance	(421,781)	(111,176)	(295,947)	(184,771)
Fund balance at beginning of year	715,184	715,184	715,184	-
Prior year encumbrances appropriated	<u>313,164</u>	<u>313,164</u>	<u>313,164</u>	<u>-</u>
Fund balance at end of year	\$ <u>606,567</u>	\$ <u>917,172</u>	\$ <u>732,401</u>	\$ <u>(184,771)</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Fund Net Assets Proprietary Funds

June 30, 2009

	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Assets:	
Equity in pooled cash and investments	\$ <u>3,576,032</u>
Liabilities:	
Intergovernmental payable	86,935
Claims payable	<u>1,298,400</u>
Total liabilities	<u>1,385,335</u>
Net assets:	
Unrestricted net assets	\$ <u>2,190,697</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities</u> Internal Service Funds
Operating revenues:	
Charges for services	\$ 5,798,980
Miscellaneous	<u>206,659</u>
Total operating revenues	<u>6,005,639</u>
Operating expenses:	
Claims	5,238,857
Purchased services	502,905
Other expenses	<u>140,556</u>
Total operating expenses	<u>5,882,318</u>
Change in net assets	123,321
Total net assets at beginning of year	<u>2,067,376</u>
Total net assets at end of year	\$ <u>2,190,697</u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities</u> Internal Service Funds
Cash flows from operating activities:	
Cash received from other funds	\$ 6,013,471
Cash payments for purchased services	(501,632)
Cash payments for claims	(5,188,057)
Cash payments for premiums	<u>(140,556)</u>
Net increase in cash and cash equivalents	183,226
Cash and cash equivalents at beginning of year	<u>3,392,806</u>
Cash and cash equivalents at end of year	\$ <u><u>3,576,032</u></u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 123,321
Adjustments:	
Decrease in assets:	
Intergovernmental receivable	7,832
Increase in liabilities:	
Intergovernmental payable	1,273
Claims payable	<u>50,800</u>
<i>Net cash used for operating activities</i>	\$ <u><u>183,226</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Fiduciary Assets and Liabilities Fiduciary Funds

June 30, 2009

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ <u>44,653</u>	\$ <u><u>36,216</u></u>
Liabilities:		
Due to students	<u>-</u>	\$ <u><u>36,216</u></u>
Net assets:		
Held in trust for scholarships	\$ <u><u>44,653</u></u>	

The Notes to the Basic Financial Statements are an Integral Part of this Statement

Ashtabula Area City School District

Statement of Changes in Fiduciary Net Assets Fiduciary Funds

For the Fiscal Year Ended June 30, 2009

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$ 432
Miscellaneous	<u>8,466</u>
Total Additions	<u>8,898</u>
Deductions:	
Pupils	44
Extracurricular activities	332
Miscellaneous	<u>1,292</u>
Total deductions	<u>1,668</u>
Change in net assets	7,230
Total net assets at beginning of year	<u>37,423</u>
Total net assets at end of year	\$ <u><u>44,653</u></u>

The Notes to the Basic Financial Statements are an Integral Part of this Statement

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Ashtabula Area City School District

Notes to the Basic Financial Statements

June 30, 2009

Note 1: Description of District

The Ashtabula Area City School District (the "District") a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the district as mandated by state and/or federal agencies. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) of the District was 4,247. The District employed 21 administrative and supervisory personnel, 313 certified employees and 161 non-certificated employees.

Note 2: Summary of Significant Accounting Policies

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

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For Ashtabula 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.

The District provides regular, vocational, and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities, and non-programmed services.

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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty 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 districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$63,705 to NEOMIN during fiscal year 2009.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of 10 members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation, and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Education Service Center, 2801 Market Street, Youngstown, Ohio 44507

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The jointly governed organization was formed for the purpose of providing quality film and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on used of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, the county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Jointly Governed Organizations (continued)

Ashtabula County Joint Vocational School District

The Ashtabula County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. Its board of education is appointed by the representative school districts. The District is not involved in the budgeting or management of the Ashtabula County Joint Vocational School District. The District's students may attend the vocational school.

Related Organizations

Non-public schools

Within the District's boundaries, Sts. John and Paul School K-12, is operated through the Youngstown Catholic Diocese. Northeast Academy is operated as an independent non-public school chartered by the Ohio Department of Education. Current state legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the treasurer of the District, as directed by the schools. The accounting for these state monies is reflected as a special revenue fund of the District.

Harbor-Topky Memorial Library

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the Trustees.

Management believes the financial statements included in this report represent all of the funds over which the District is financially accountable.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

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

Debt Service Fund – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.

Permanent Improvement Fund – This fund accounts for the collection of property taxes that are used for acquiring, constructing, or improving permanent improvements.

Construction Fund – This fund accounts for note proceeds, grants, and interest revenue to be expended in connection with contracts entered with the Ohio Department of Education for the building and equipping of a new high school.

Classroom Facilities Fund – This fund accounts for monies that are received and expended in connection with contracts entered into by the school and the Department of Education for the building and equipping of the new junior high and elementary schools.

Other governmental funds of the District account for food service operations, grants and other resources, and other capital projects of the District whose use is restricted to a particular purpose.

Proprietary Funds: Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service funds.

Internal Service Funds – Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The Employee Health Insurance Fund accounts for a self-insurance program which provides medical, prescription, dental and life insurance benefits to the District's employees. The Workers' Compensation Fund accounts for the payment of premiums and claims to be paid to the State workers' compensation agency.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

C. Basis of Presentation and Measurement Focus

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

Government-wide Financial Statements: The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end.

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

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

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and non-major funds are aggregated into a single column. The internal service fund is presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

C. Basis of Presentation and Measurement Focus (continued)

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private purpose trust funds are reported using the flow of economic resources measurement focus. Agency funds do not report operations; therefore, no measurement focus is needed.

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 presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

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

On a modified accrual basis, revenue from non-exchange 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, grants, interest, tuition, and student fees.

Deferred Revenue: Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as intergovernmental revenue.

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process (continued)

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

By no later than January 20, the Board-adopted budget is filed with the Ashtabula County Budget Commission for rate determination.

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by The District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2009. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

Appropriations: Upon receipt from the county auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board has authorized the treasurer to allocate appropriations among object level expenditures within each function.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Investments

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

During the fiscal year all investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and one-day repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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, 2009.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$157,457. The amount allocated from other funds during fiscal year 2009 amounted to \$62,054.

For the District, all investment earnings accrue to the General Fund, Construction Fund, Food Service Fund, Auxiliary Service Fund, one Expendable and two Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2009 totaled \$227,965.

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

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 30 years
Buildings	15 - 30 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years
Textbooks	15 years

J. Interfund Balances

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

K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

Vacation leave benefits are accrued as a liability as the benefits are earned if a) the employees' rights to receive compensation are attributable to services already rendered, and b) it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

K. Compensated Absences (continued)

Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund 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, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. At June 30, 2009, the District did not have net assets restricted by enabling legislation.

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

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves (continued)

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for the health-related insurance program and workers compensation program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the proprietary funds.

P. Interfund Activity

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

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

Q. Estimates

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2009, the District had neither extraordinary items nor special items.

S. Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 18, 2009, the date the financial statements were available to be issued.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 3: Change in Accounting Principles

For 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations (OPEB)* and GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the District's financial statements.

GASB Statement No. 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. The implementation of this Statement did not result in any change to District's financial statements.

Note 4: Accountability and Compliance

A. Accountability

The following funds had negative fund balances at June 30, 2009:

Nonmajor Special Revenue Funds:

Alternative Education Fund	\$	1,471
Poverty Based Assistance Fund		54,767
Title VI-B Special Education Fund		19,489
LEP Immigrants Fund		1,098
Title I Fund		2,969
Preschool Grant for the Handicapped Fund		1,928

The deficits in the above funds are due to timing differences in accruing revenues and expenditures.

The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 4: Accountability and Compliance (continued)

B. Compliance

The following funds had final appropriations plus carryover encumbrances in excess of estimated resources plus unencumbered fund balance contrary to Section 5705.39, Ohio revised Code:

Nonmajor Special Revenue Funds:

Miscellaneous State Grants	\$	1,661
IDEA, Part B		1,846
Title III		1,675
Title I		18,038
IDEA Preschool Grant for the Handicapped		85
Improving Teacher Quality		26
Miscellaneous Federal Grant Fund		30,044

The following funds were noncompliant with Ohio Revised Code Section 5705.41(B) – no subdivision taxing unit is to expend money unless it has been appropriated. Amounts represent total expenditures in excess of final appropriations plus carryover encumbrances.

General Fund	\$	467,671
Classroom Facilities		434,673
Employee Benefits – Self Insurance		266,079

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Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 5: Equity in Pooled Cash and Investments

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 5: Equity in Pooled Cash and Investments (continued)

8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of District funds shall be required to pledge as security for repayment of all public moneys.

At year end, the carrying amount of the District's deposits was \$23,686,671 and the bank balance was \$24,109,873. Of the bank balance, \$4,750,000 was covered by federal depository insurance and \$19,359,873 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name. At fiscal year-end, the District had \$229 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

Investments

Investments are reported at fair value. As of June 30, 2009, the District had the following investments:

	Fair Value	Maturity Date
STAROhio	\$ 6,514,274	July 2009

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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 to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 5: Equity in Pooled Cash and Investments (continued)

Credit Risk is addressed by the District's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. All investments of the District are registered and carry a rating AAA by Standard & Poor's.

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

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2009:

	<u>Percentage of Investments</u>
STAROhio	100.0%

Note 6: Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008. Assessed values for real property are established by the State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2009 is zero. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 6: Property Taxes (continued)

If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes and each June and October for personal property taxes. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2009 taxes were collected were as follows:

	2008		2009	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 408,962,460	88.58%	\$ 433,314,520	93.92%
Public Utility Personal Property	27,678,840	6.00%	26,301,750	5.70%
Tangible Personal Property	<u>25,044,550</u>	<u>5.42%</u>	<u>1,773,173</u>	<u>0.38%</u>
Total Assessed Value	\$ <u>461,685,850</u>	<u>100.00%</u>	\$ <u>461,389,443</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.50		\$ 52.50	

Accrued property taxes receivables include real property, tangible personal property and public utility taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2009, was \$4,134,032 in the General Fund, \$1,333,711 in the Bond Retirement Fund, \$595,342 in the Permanent Improvement Fund and \$85,473 in the Classroom Facilities Maintenance Fund.

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 7: Receivables

Receivables at June 30, 2009, consisted of taxes, accounts (student fees), intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental activities:	
Property taxes	\$ 13,954,756
Accounts	64,746
Intergovernmental	<u>1,344,298</u>
Total	\$ <u>15,363,800</u>

Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/09</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 375,228	\$ 125,547	\$ -	\$ 500,775
Construction in progress	<u>8,700,834</u>	<u>11,226,549</u>	<u>-</u>	<u>19,927,383</u>
Total capital assets, not being depreciated	<u>9,076,062</u>	<u>11,352,096</u>	<u>-</u>	<u>20,428,158</u>
Capital assets, being depreciated:				
Land improvements	560,319	26,100	-	586,419
Buildings	53,672,898	-	-	53,672,898
Furniture and equipment	6,658,607	104,851	(39,379)	6,724,079
Vehicles	2,797,444	322,845	-	3,120,289
Textbooks	<u>2,867,062</u>	<u>-</u>	<u>-</u>	<u>2,867,062</u>
Total capital assets, being depreciated	<u>66,556,330</u>	<u>453,796</u>	<u>(39,379)</u>	<u>66,970,747</u>
Less accumulated depreciation:				
Land improvements	(188,931)	(27,892)	-	(216,823)
Buildings	(7,709,067)	(935,225)	-	(8,644,292)
Furniture and equipment	(4,157,404)	(372,328)	37,050	(4,492,682)
Vehicles	(1,821,624)	(171,180)	-	(1,992,804)
Textbooks	<u>(2,067,279)</u>	<u>(80,588)</u>	<u>-</u>	<u>(2,147,867)</u>
Total accumulated depreciation	<u>(15,944,305)</u>	<u>(1,587,213)</u>	<u>37,050</u>	<u>(17,494,468)</u>
Capital assets being depreciated, net	<u>50,612,025</u>	<u>(1,133,417)</u>	<u>(2,329)</u>	<u>49,476,279</u>
Total capital assets, net	\$ <u>59,688,087</u>	\$ <u>10,218,679</u>	\$ <u>(2,329)</u>	\$ <u>69,904,437</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 8: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular education	\$ 413,735
Special education	20,907
Vocational education	1,208

Support services:

Pupil	3,313
Instructional staff	7,209
Board of education	234
Administration	35,433
Fiscal services	5,475
Business	1,034
Operation and maintenance of plant	33,330
Pupil transportation	179,704

Operation of non-instructional services:

Food service operations	32,100
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Extracurricular activities

	37,419
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Facilities and construction services

	816,112
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Total depreciation expense \$ 1,587,213

Note 9: Long-Term Liabilities

The changes in the District's long-term obligations during the year consist of the following:

	<u>Principal Outstanding 6/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/09</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
OSF construction bonds 2.15% - 12/01/2030	\$ 38,910,000	\$ -	\$ (440,000)	\$ 38,470,000	\$ 1,475,000
OSF construction capital appreciation bonds 2.55%, 12/01/2012 maturity	451,933	-	(243,234)	208,699	-
Accretion on capital appreciation bonds	752,660	145,476	(701,765)	196,371	-
Unamortized premium	387,916	-	(17,241)	370,675	-
Capital lease obligations	50,418	-	(50,418)	-	-
Compensated absences	<u>2,959,150</u>	<u>326,895</u>	<u>(281,887)</u>	<u>3,004,158</u>	<u>900,939</u>
Total governmental activities long-term liabilities	\$ <u>43,512,077</u>	\$ <u>472,371</u>	\$ <u>(1,734,545)</u>	\$ <u>42,249,903</u>	\$ <u>2,375,939</u>

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 9: Long-Term Liabilities (continued)

The District entered into the Expedited Local Partnership Plan with the Ohio Schools Facility Commission to build new schools. A \$7 mill bond issue passed on May 2, 2002, for the purpose of constructing new schools. The District issued bonds on August 7, 2002 for \$40,000,000 (Series A) and issued additional bonds on February 1, 2003 for \$ 4,123,700 (Series B). General obligation bonds will be paid from the Debt Service Fund. Principal and interests requirements to retire bonds outstanding at June 30, 2009 are as follows:

	Series A		Series B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 1,025,000	\$ 1,677,928	\$ 450,000	\$ 38,910	\$ 1,475,000	\$ 1,716,838
2011	1,055,000	1,641,513	465,000	24,720	1,520,000	1,666,233
2012	1,095,000	1,602,266	208,699	288,581	1,303,699	1,890,847
2013	1,175,000	1,559,683	480,000	8,640	1,655,000	1,568,323
2014	1,220,000	1,512,958	-	-	1,220,000	1,512,958
2015-2019	6,890,000	6,737,326	-	-	6,890,000	6,737,326
2020-2024	8,620,000	4,954,250	-	-	8,620,000	4,954,250
2025-2029	10,870,000	2,647,050	-	-	10,870,000	2,647,050
2030-2031	<u>5,125,000</u>	<u>259,375</u>	-	-	<u>5,125,000</u>	<u>259,375</u>
Total	\$ <u>37,075,000</u>	\$ <u>22,592,349</u>	\$ <u>1,603,699</u>	\$ <u>360,851</u>	\$ <u>38,678,699</u>	\$ <u>23,953,200</u>

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$6,229,484 and an unvoted debt margin of \$461,389.

Note 10: Capital Lease Obligation

The District entered into a capital lease for the acquisition of a computer learning system. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital asset acquired by lease has been capitalized as equipment in the amount of \$151,425 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current year totaled \$50,418. This amount is reported as program/function expenditure in the nonmajor governmental funds.

The District made its final payment of principal and interest of \$53,440 on the capital lease in 2009.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 11: Employee Benefits

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, 12 month Administrators and 12 month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than 19 years shall be entitled to one additional day for each complete year served in the District in excess of 19 years.

Vacations for classified employees can be taken any time during the year, but no more than five weeks are to be taken in succession. Employees may carry over a maximum of 10 days from one year to the next which they are required to take that year.

The Superintendent earns 25 days vacation per year, which they are required to take that year. They do not have the option to exchange for cash or carry over to the following year.

The Treasurer earns 25 days vacation per year and may carry over five days from one year to the next.

The 12 month Administrators earn 20 days vacation per year and may carry over 10 days from one year to the next.

Vacation Pay: All 12 month classified employees may choose to be paid for any and all earned vacation days in lieu of time off at the rate that would have been paid to a substitute.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth of the accumulated sick leave days multiplied times the per diem rate at the time of retirement.

Retirement Incentive Plan (R.I.): The Board offers a retirement incentive plan to those certificated employees who are eligible to retire with 30 years of service credit in accordance with the rules and regulations established by the STRS and other qualifications per the negotiated agreement.

The plan, for those who are eligible, is as follows:

1. The R.I. payment shall be equal to 35 percent of the retiree's placement on the salary schedule for the last full school year worked.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 11: Employee Benefits (continued)

2. The R.I. payment shall be made the first certified pay in January of the following calendar year.
3. The end of the school year in which a bargaining unit member meets the criteria for the R.I. Plan as outlined above is the only time the plan is offered to the employee.

The 2008-2009 Retirement Incentive Plan will be paid in January 2010. The payment of \$109,505 will be made from the General Fund and are reported on the government-wide financial statements.

Note 12: Risk Management

A. General Risk

The 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 has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for the district superintendent and \$50,000 for the district treasurer. Additionally the district has commercial crime coverage of \$10,000.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$57,317,612. Other property insurance includes \$2,662,980 for musical instrument, related equipment and accessories and electronic data processing hardware.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The State of Ohio provides workers' compensation coverage. The District pays the State Workers' Compensation System a premium based on a percentage of salaries. This percentage is calculated based on accident history and administrative costs.

C. Health Insurance

The District has established an internal service self-insurance fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 12: Risk Management (continued)

C. Health Insurance (continued)

This Self-Insurance Fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the general fund and certain non-major governmental funds. Claims payments are made on an as-incurred basis, thus no reserve remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$1,298,400 at June 30, 2009.

A summary of changes in self-insurance claims for the current and two preceding years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 1,247,600	\$ 5,238,857	\$ (5,188,057)	\$ 1,298,400
2008	1,248,600	5,008,816	(5,009,816)	1,247,600
2007	1,128,000	4,935,079	(4,814,479)	1,248,600

Note 13: Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 13: Defined Benefit Pension Plans (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending 2009, it was determined the employer contribution rate to pension and death benefits to be 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$694,829, \$700,065, and \$708,628, respectively; 89.28 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report. Copies of the report can be requested by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

The DB 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 until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 13: Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System (continued)

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.

The DC Plan benefits are established under Sections 3307.80 and 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.

The Combined Plan 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 a lifetime monthly annuity at age 50.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 DB 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.

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$2,550,706, \$2,598,937, and \$2,735,558 respectively; 93.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$16,678 made by the District and \$34,285 made by the plan members.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 14: Post-Employment Benefits

A. School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at www.ohsers.org under *Forms and Publications*.

State statute permits SERS to fund health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.91 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$280,929, \$284,262, and \$267,302, respectively; 89.28 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2009, this actuarially required allocation was 0.78 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$38,712, \$33,003, and \$33,250, respectively; 89.28 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by STRS Ohio for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888)227-7877.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 14: Post-Employment Benefits (continued)

B. State Teachers Retirement System (continued)

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, of the 14 percent contribution rate, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$182,193, \$185,638, and \$195,397, respectively; 93.80 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 15: Interfund Transactions

A. Interfund balances

Interfund balances consisted of the following at June 30, 2009, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 456,502

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the Statement of Net Assets.

B. Interfund transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

	<u>Amount</u>
Transfers from General Fund to:	
Nonmajor Governmental Funds	\$ 33,563

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

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 16: Budgetary Basis of Accounting

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

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis), presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

	<u>General</u>
Budget basis	\$ (295,947)
Net adjustment for revenue accruals	38,812
Net adjustment for expenditure accruals	106,149
Adjustment for encumbrances	<u>178,655</u>
GAAP basis	<u>\$ 27,669</u>

Note 17: Contingencies

A. Grants

The District receives financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2009.

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 17: Contingencies (continued)

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

Note 18: Statutory Reserves

The District is required by state law to annually set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside reserve balance as of June 30, 2008	\$ (1,024,468)	\$ -
Current year set-aside requirement	658,818	658,818
Qualifying disbursements	<u>(746,591)</u>	<u>(1,043,431)</u>
Totals	\$ <u>(1,112,241)</u>	\$ <u>(384,613)</u>
Balance carried forward to June 30, 2009	\$ <u>(1,112,241)</u>	\$ <u>-</u>

The District had qualifying expenditures during the year that reduced the set-aside amounts for textbooks and capital acquisition to below zero. The extra amount for textbooks may be used to reduce the set-aside requirements in future years; however, the extra amount for capital acquisitions may not be used in future years and is not presented as being carried forward to the next fiscal year.

Note 19: Operating Leases

The District leases several copier machines from various vendors. The following is a general description of the lease agreement:

A 60 month lease with Xerox, which began in August 2005. Copiers for use in various schools with an option for purchase at the end of the lease. The total rental expense for the year ended June 30, 2009, for the various operating leases was \$89,537. Future minimum payments for leases with remaining lease terms in excess of one year for the years ended June 30 are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 89,537

Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2009

Note 20: Contractual Commitments

At June 30, 2009, construction contracts that were encumbered are as follows:

<u>School Construction</u>	<u>Remaining Contract Including Retainage</u>
Elementary Campus	
Olsavsky Jaminet Architects	\$ 1,171,188
Ashtabula County Department of Building	51,919
Junior High	
Enertech Electrical	190,350
Detrick Industrial Piping	124,796
Continental Office Environment	348,511
Ohio Desk Company	89,765
E-Quip Company	32,538
Logos Communications, Inc	181,962
District Wide	
Hudson Construction	105,362
Mark Napp Crawfish Associates Inc	59,795
Lawhon & Associates	31,851
OP-Tech Environmental	51,257
Proquality Land Development	119,200
PCS Project Construction Services	64,985
Reliance Mechanical	58,926
Emerald Environmental Inc	53,300
Total	\$ <u>2,735,705</u>

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the “District”), as of and for the year ended June 30, 2009, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 18, 2009, wherein we noted the District implemented GASB Statement No.’s 49 and 52, as disclosed in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District’s financial statements that is more than inconsequential will not be prevented or detected by the District’s internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District’s internal control.

Board of Education
Ashtabula Area City School District

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed findings 2009-1 thru 2009-2 of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Ashtabula Area City School District in a separate letter dated December 18, 2009.

This report is intended solely for the information and use of the Board of Education, management, the Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Panichi, Inc.

Cleveland, Ohio
December 18, 2009

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

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

Compliance

We have audited the compliance of the Ashtabula Area City School District (the “District”), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion, the District complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

We noted certain matters that we reported to management of the Ashtabula Area City School District in a separate letter dated December 18, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2009, and have issued our report there on dated December 18, 2009, wherein we noted the District implemented GASB Statement No.'s 49 and 52, as disclosed in Note 3.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Board of Education
Ashtabula Area City School District

This report is intended solely for the information and use of the Board of Education, management, the Auditor of State's Office, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cuni & Parichi, Inc.

Cleveland, Ohio
December 18, 2009

Ashtabula Area City School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Year	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2009	\$ 388,884	\$ -	\$ 388,884	\$ -
National School Lunch Program	10.555	2009	<u>1,028,445</u>	<u>86,631</u>	<u>1,028,445</u>	<u>85,966</u>
Total Nutrition Cluster			<u>1,417,329</u>	<u>86,631</u>	<u>1,417,329</u>	<u>85,966</u>
National Fruit and Vegetable Program	10.582	2009	<u>50,126</u>	<u>-</u>	<u>50,126</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,467,455</u>	<u>86,631</u>	<u>1,467,455</u>	<u>85,966</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Title I	84.010	2008	216,150	-	259,167	-
Title I	84.010	2009	<u>1,708,421</u>	<u>-</u>	<u>1,866,967</u>	<u>-</u>
Total Title I			<u>1,924,571</u>	<u>-</u>	<u>2,126,134</u>	<u>-</u>
Special Education Cluster:						
Title VI-B	84.027	2008	57,239	-	178,300	-
Title VI-B	84.027	2009	<u>875,100</u>	<u>-</u>	<u>872,716</u>	<u>-</u>
Subtotal Title VI-B			<u>932,339</u>	<u>-</u>	<u>1,051,016</u>	<u>-</u>
Special Education – Preschool Grant	84.173	2008	6,915	-	8,962	-
Special Education – Preschool Grant	84.173	2009	<u>37,657</u>	<u>-</u>	<u>36,005</u>	<u>-</u>
Subtotal Preschool Grant			<u>44,572</u>	<u>-</u>	<u>44,967</u>	<u>-</u>
Total Special Education Cluster			<u>976,911</u>	<u>-</u>	<u>1,095,983</u>	<u>-</u>
Safe and Drug Free Schools	84.186	2008	5,362	-	2,279	-
Safe and Drug Free Schools	84.186	2009	<u>23,415</u>	<u>-</u>	<u>28,950</u>	<u>-</u>
Total Safe and Drug Free Schools			<u>28,777</u>	<u>-</u>	<u>31,229</u>	<u>-</u>
Title V	84.298	2008	2,489	-	4,023	-
Title V	84.298	2009	<u>367</u>	<u>-</u>	<u>1,220</u>	<u>-</u>
Total Title V			<u>2,856</u>	<u>-</u>	<u>5,243</u>	<u>-</u>
Enhancing Education Through Technology	84.318	2008	1,463	-	4,288	-
Enhancing Education Through Technology	84.318	2009	<u>21,697</u>	<u>-</u>	<u>20,222</u>	<u>-</u>
Total Enhancing Education Through Technology			<u>23,160</u>	<u>-</u>	<u>24,510</u>	<u>-</u>
Rural Education	84.358	2008	2,395	-	33,649	-
Rural Education	84.358	2009	<u>86,139</u>	<u>-</u>	<u>95,793</u>	<u>-</u>
Total Rural Education	84.358		<u>88,534</u>	<u>-</u>	<u>129,442</u>	<u>-</u>
Title III	84.365	2008	4,883	-	806	-
Title III	84.365	2009	<u>-</u>	<u>-</u>	<u>7,021</u>	<u>-</u>
Total Title III			<u>4,883</u>	<u>-</u>	<u>7,827</u>	<u>-</u>
Title II-A	84.367	2008	77,729	-	82,214	-
Title II-A	84.367	2009	<u>321,077</u>	<u>-</u>	<u>327,789</u>	<u>-</u>
Total Title II-A			<u>398,806</u>	<u>-</u>	<u>410,003</u>	<u>-</u>
Total U.S. Department of Education			<u>3,448,498</u>	<u>-</u>	<u>3,830,371</u>	<u>-</u>
U.S. Department of Homeland Security:						
Passed Through Ohio Department of Education:						
FEMA Reimbursement Disaster Grant						
Public Assistance	97.036	2009	<u>8,895</u>	<u>-</u>	<u>8,895</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>8,895</u>	<u>-</u>	<u>8,895</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>5,156,739</u>	\$ <u>86,631</u>	\$ <u>5,306,721</u>	\$ <u>85,966</u>

The accompanying notes are an integral part of this schedule

Ashtabula Area City School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2009

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

Ashtabula Area City School District

Schedule of Findings
OMB Circular A-133 Section .505

June 30, 2009

1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Was there any significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	No
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA # 10.553, 10.555 Title I CFDA # 84.010
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

Ashtabula Area City School District

Schedule of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2009

2. Findings Related to the Financial Statements Required To Be Reported In Accordance With GAGAS

Findings	Findings Summary																		
2009-1	<p><i>Budgetary Control – Material Noncompliance</i></p> <p>Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue. The following funds had final appropriations in excess estimated resources:</p> <p>Special Revenue Funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Miscellaneous State Grants Fund</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">1,661</td> </tr> <tr> <td style="padding-left: 20px;">IDEA, Part B Special Education, Education of Handicapped Children Grant Fund</td> <td></td> <td style="text-align: right;">1,846</td> </tr> <tr> <td style="padding-left: 20px;">Title III Limited English Proficiency Fund</td> <td></td> <td style="text-align: right;">1,675</td> </tr> <tr> <td style="padding-left: 20px;">Title I Fund</td> <td></td> <td style="text-align: right;">18,038</td> </tr> <tr> <td style="padding-left: 20px;">IDEA Preschool Grant for the Handicapped Fund</td> <td></td> <td style="text-align: right;">85</td> </tr> <tr> <td style="padding-left: 20px;">Miscellaneous Federal Grants Fund</td> <td></td> <td style="text-align: right;">30,044</td> </tr> </table>	Miscellaneous State Grants Fund	\$	1,661	IDEA, Part B Special Education, Education of Handicapped Children Grant Fund		1,846	Title III Limited English Proficiency Fund		1,675	Title I Fund		18,038	IDEA Preschool Grant for the Handicapped Fund		85	Miscellaneous Federal Grants Fund		30,044
Miscellaneous State Grants Fund	\$	1,661																	
IDEA, Part B Special Education, Education of Handicapped Children Grant Fund		1,846																	
Title III Limited English Proficiency Fund		1,675																	
Title I Fund		18,038																	
IDEA Preschool Grant for the Handicapped Fund		85																	
Miscellaneous Federal Grants Fund		30,044																	
2009-2	<p><i>Budgetary Control – Material Noncompliance</i></p> <p>Per ORC 5705.41(B), no subdivision is to expend money unless it has been appropriated. The following funds had final expenditures plus encumbrances in excess of final appropriations plus prior year encumbrances:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">General Fund</td> <td style="text-align: right; padding-right: 20px;">\$</td> <td style="text-align: right;">467,671</td> </tr> <tr> <td style="padding-left: 20px;">Classroom Facilities Capital Projects Fund</td> <td></td> <td style="text-align: right;">434,673</td> </tr> <tr> <td style="padding-left: 20px;">Self-Insurance Internal Service Fund</td> <td></td> <td style="text-align: right;">266,079</td> </tr> </table>	General Fund	\$	467,671	Classroom Facilities Capital Projects Fund		434,673	Self-Insurance Internal Service Fund		266,079									
General Fund	\$	467,671																	
Classroom Facilities Capital Projects Fund		434,673																	
Self-Insurance Internal Service Fund		266,079																	

3. Findings for Federal Awards

None.

Ashtabula Area City School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

June 30, 2009

Findings	Findings Summary	Corrected	Responsible Contact Person; Not Corrected, Partially Corrected
2008-1	Budgetary Control - Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue.	No	William Hill, Treasurer; Not Corrected – Reissued 2009-1

Ashtabula Area City School District

**401 West 44th Street
Ashtabula, Ohio 44044
(440) 992-2500**

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

June 30, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-1	Management will monitor budget more closely and adjust as necessary.	Fiscal Year 2010	William Hill, Treasurer;
2009-2	Management will monitor budget more closely and adjust as necessary.	Fiscal Year 2010	William Hill, Treasurer

Independent Accountants' Report on Applying Agreed-Upon Procedures

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

To the Board of Education:

Ohio Revised 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 procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Ashtabula Area City School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 24, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - c. A procedure for reporting prohibited incidents;
 - d. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - e. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

Board of Education
Ashtabula Area City School District

- f. A procedure for documenting any prohibited incident that is reported;
- g. A procedure for responding to and investigating any reported incident;
- h. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 18, 2009



Mary Taylor, CPA
Auditor of State

ASHTABULA 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
JANUARY 26, 2010