

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------|
| Independent Accountant's Report | |
| Combined Balance Sheet - All Fund Types and Account Groups | 3-4 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Types | 5 |
| Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Fund Types | 6-8 |
| Combined Statement of Revenues, Expenditures and Changes in Retained Earnings - Proprietary Fund Type | 9 |
| Combined Statement of Cash Flows - Proprietary Fund Type | 10 |
| Notes to the General Purpose Financial Statements | 11-33 |
| Schedule of Federal Awards Expenditures | 34 |
| Notes to Schedule of Federal Award Expenditures | 35 |
| Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 36-37 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 38-39 |
| Schedule of Findings | 40-42 |
| Data Collection Form | 43-45 |



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Governmental Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

Conneaut Area City School District
Ashtabula County
263 Liberty Street
Conneaut, Ohio 44030

To the Board of Education

We have audited the accompanying general-purpose financial statements of the Conneaut Area City School District, Ashtabula County, as of and for the fiscal year ended June 30, 1999. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Conneaut Area City School District, Ashtabula County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2000, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Government, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.


JIM PETRO
Auditor of State

April 3, 2000

Conneaut Area City School District

Combined Balance Sheet
All Fund Types and Account Groups -
June 30, 1999

| | Governmental Fund Types | | | |
|---|-------------------------|--------------------|-----------------|--------------------|
| | General | Special Revenue | Debt Service | Capital Project |
| Assets and Other Debits: | | | | |
| Equity in Pooled Cash and Investments | \$ 2,969,737 | 240,517 | 383,739 | \$ 591,833 |
| Restricted Asset | 178,650 | 0 | 0 | 0 |
| Taxes Receivable | 3,164,400 | 0 | 303,254 | 69,892 |
| Due from Other Funds | 0 | 0 | 0 | 0 |
| Interfund Receivables | 75,400 | 0 | 0 | 0 |
| Intergovernmental Receivables | 0 | 16,633 | 0 | 0 |
| Accounts Receivable | 3,360 | 1,116 | 0 | 0 |
| Supplies Inventory | 30,378 | 0 | 0 | 0 |
| Inventory for Resale | 0 | 0 | 0 | 0 |
| Net Property, Plant & Equipment | 0 | 0 | 0 | 0 |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 |
| Amount to be Provided for Retirement of General Long Term Debt | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$ 6,421,925 | 258,266 | 686,993 | \$ 661,725 |
| Liabilities: | | | | |
| Interfund Payables | \$ 0 | 11,900 | 0 | \$ 0 |
| Due to Other Funds | 202,185 | 16,961 | 0 | 0 |
| Intergovernmental Payable | 5,355 | 598 | 0 | 0 |
| Accounts Payable | 57,904 | 42,862 | 0 | 268,102 |
| Accrued Salaries and Benefits | 1,151,771 | 106,081 | 0 | 0 |
| Deferred Revenue | 1,903,027 | 0 | 179,089 | 41,673 |
| Due to Others | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Energy Notes Payable | 0 | 0 | 0 | 0 |
| Notes Payable | 0 | 0 | 0 | 0 |
| Compensated Absences Payable | 39,347 | 0 | 0 | 0 |
| Total Liabilities | 3,359,589 | 178,402 | 179,089 | 309,775 |
| Fund Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 |
| Fund Balances: | | | | |
| Reserved for Budget Stabilization | 178,650 | 0 | 0 | 0 |
| Reserved for Debt | 0 | 0 | 383,739 | 0 |
| Reserved For Inventory | 30,378 | 0 | 0 | 0 |
| Reserved for Encumbrances | 107,264 | 7,918 | 0 | 104,073 |
| Reserved for Future Appropriation | 1,261,373 | 0 | 124,165 | 28,219 |
| Unreserved Fund Balance | 1,484,671 | 71,946 | 0 | 219,658 |
| Total Fund Equity | 3,062,336 | 79,864 | 507,904 | 351,950 |
| Total Fund Balances/Retained Earnings and Other | 3,062,336 | 79,864 | 507,904 | 351,950 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 6,421,925 | 258,266 | 686,993 | \$ 661,725 |

(continued)

Combined Balance Sheet
All Fund Types and Account Groups - Continued
June 30, 1999

| | Proprietary Fund Types | | Fiduciary | Account Groups | | Totals |
|---|------------------------|------------------|------------------|-------------------|------------------|----------------------|
| | Enterprise | Internal Service | Fund Types | General | General | (Memorandum Only) |
| | | | Trust and Agency | Fixed Assets | Long Term | |
| Assets and Other Debits: | | | | | | |
| Equity in Pooled Cash and Investments | \$ 12,625 | 2,603 | 171,673 | 0 | 0 | \$ 4,372,727 |
| Restricted Asset | 0 | 0 | 0 | 0 | 0 | 178,650 |
| Taxes Receivable | 0 | 0 | 0 | 0 | 0 | 3,537,546 |
| Due from Other Funds | 0 | 0 | 236,905 | 0 | 0 | 236,905 |
| Interfund Receivables | 0 | 0 | 0 | 0 | 0 | 75,400 |
| Intergovernmental Receivables | 77,537 | 0 | 0 | 0 | 0 | 94,170 |
| Accounts Receivable | 294 | 0 | 0 | 0 | 0 | 4,770 |
| Supplies Inventory | 3,598 | 0 | 0 | 0 | 0 | 33,976 |
| Inventory for Resale | 9,071 | 0 | 0 | 0 | 0 | 9,071 |
| Net Property, Plant & Equipment | 96,272 | 0 | 0 | 12,116,504 | 0 | 12,212,776 |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 | 383,739 | 383,739 |
| Amount to be Provided for Retirement of General Long Term Debt | 0 | 0 | 0 | 0 | 2,897,122 | 2,897,122 |
| Total Assets and Other Debits | \$ 199,397 | 2,603 | 408,578 | 12,116,504 | 3,280,861 | \$ 24,036,852 |
| Liabilities: | | | | | | |
| Interfund Payables | \$ 63,500 | 0 | 0 | 0 | 0 | \$ 75,400 |
| Due to Other Funds | 17,759 | 0 | 0 | 0 | 0 | 236,905 |
| Intergovernmental Payable | 50 | 0 | 346,147 | 0 | 108,375 | 460,525 |
| Accounts Payable | 2,019 | 0 | 461 | 0 | 0 | 371,348 |
| Accrued Salaries and Benefits | 15,043 | 0 | 0 | 0 | 0 | 1,272,895 |
| Deferred Revenue | 8,494 | 0 | 0 | 0 | 0 | 2,132,283 |
| Due to Others | 0 | 0 | 56,611 | 0 | 0 | 56,611 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 | 1,520,000 | 1,520,000 |
| Energy Notes Payable | 0 | 0 | 0 | 0 | 40,545 | 40,545 |
| Notes Payable | 0 | 0 | 0 | 0 | 375,000 | 375,000 |
| Compensated Absences Payable | 22,718 | 0 | 0 | 0 | 1,236,941 | 1,299,006 |
| Total Liabilities | 129,583 | 0 | 403,219 | 0 | 3,280,861 | 7,840,518 |
| Fund Equity and Other Credits: | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 12,116,504 | 0 | 12,116,504 |
| Retained Earnings | 69,814 | 2,603 | 0 | 0 | 0 | 72,417 |
| Fund Balances: | | | | | | |
| Reserved for Budget Stabilization | 0 | 0 | 0 | 0 | 0 | 178,650 |
| Reserved for Debt | 0 | 0 | 0 | 0 | 0 | 383,739 |
| Reserved For Inventory | 0 | 0 | 0 | 0 | 0 | 30,378 |
| Reserved for Encumbrances | 0 | 0 | 64 | 0 | 0 | 219,319 |
| Reserved for Future Appropriation | 0 | 0 | 0 | 0 | 0 | 1,413,757 |
| Unreserved Fund Balance | 0 | 0 | 5,295 | 0 | 0 | 1,781,570 |
| Total Fund Equity | 0 | 0 | 5,359 | 0 | 0 | 4,007,413 |
| Total Fund Balances/Retained Earnings and Other | 69,814 | 2,603 | 5,359 | 12,116,504 | 0 | 16,196,334 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 199,397 | 2,603 | 408,578 | 12,116,504 | 3,280,861 | \$ 24,036,852 |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Fund Types
Year Ended June 30, 1999**

| | Governmental Fund Types | | | | Fiduciary | Totals |
|--|-------------------------|------------------|----------------|------------------|------------------|---------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | (Memorandum) (Only) |
| REVENUES: | | | | | | |
| Taxes | \$ 3,509,068 | 0 | 344,906 | 76,925 | 0 | \$ 3,930,899 |
| Tuition | 22,941 | 0 | 0 | 0 | 0 | 22,941 |
| Earnings on Investments | 238,045 | 0 | 0 | 0 | 0 | 238,045 |
| Extracurricular Activities | 0 | 100,898 | 0 | 0 | 0 | 100,898 |
| Classroom Materials and Fees | 6,152 | 0 | 0 | 0 | 0 | 6,152 |
| Miscellaneous | 1,447 | 100,579 | 0 | 0 | 0 | 102,026 |
| Revenue from Intermediate Sources | | | | | | |
| Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 6,241 | 6,241 |
| Revenue from State Sources | | | | | | |
| Unrestricted Grants-in-Aid | 9,030,135 | 56,395 | 48,255 | 9,279 | 0 | 9,144,064 |
| Restricted Grants-in-Aid | 33,107 | 251,546 | 0 | 698,796 | 0 | 983,449 |
| Revenue for/on Behalf of District | 15,891 | 0 | 0 | 0 | 0 | 15,891 |
| Revenue from Federal Sources | | | | | | |
| Restricted Grants-in-Aid | 0 | 871,069 | 0 | 0 | 0 | 871,069 |
| Total Revenue | <u>12,856,786</u> | <u>1,380,487</u> | <u>393,161</u> | <u>785,000</u> | <u>6,241</u> | <u>15,421,675</u> |
| EXPENDITURES: | | | | | | |
| Instruction: | | | | | | |
| Regular Instruction | 6,554,723 | 29,466 | 0 | 123,662 | 3,258 | 6,711,109 |
| Special Instruction | 849,821 | 657,173 | 0 | 0 | 0 | 1,506,994 |
| Vocational Instruction | 160,376 | 0 | 0 | 0 | 0 | 160,376 |
| Other Instruction | 86,102 | 89,689 | 0 | 0 | 0 | 175,791 |
| Supporting Services: | | | | | | |
| Support Services-Pupils | 540,060 | 146,912 | 0 | 0 | 0 | 686,972 |
| Support Services-Instructional Staff | 487,518 | 260,059 | 0 | 61,913 | 0 | 809,490 |
| Support Services-Board of Education | 8,936 | 0 | 0 | 0 | 0 | 8,936 |
| Support Services-Administration | 1,192,003 | 52,634 | 0 | 0 | 0 | 1,244,637 |
| Support Services-Fiscal Services | 293,666 | 20,915 | 7,445 | 1,506 | 0 | 323,532 |
| Support Services-Operation & Maintenance | 1,021,700 | 4,100 | 0 | 0 | 0 | 1,025,800 |
| Support Services-Pupil Transportation | 576,623 | 285 | 0 | 0 | 0 | 576,908 |
| Support Services-Central | 569 | 5,955 | 0 | 0 | 0 | 6,524 |
| Operation of Non-Instructional Services: | | | | | | |
| Community Services | 0 | 81,860 | 0 | 0 | 0 | 81,860 |
| Extracurricular Activities: | | | | | | |
| Academic & Subject Oriented | 23,122 | 15,095 | 0 | 0 | 0 | 38,217 |
| Occupation Oriented | 0 | 75 | 0 | 0 | 0 | 75 |
| Sports Oriented | 176,871 | 83,140 | 0 | 0 | 0 | 260,011 |
| Co-Curricular Activities | 9,929 | 25,824 | 0 | 0 | 0 | 35,753 |
| Capital Outlay: | | | | | | |
| Site Improvement | 180 | 0 | 0 | 3,000 | 0 | 3,180 |
| Other Facility Acquisition & Improvements | 0 | 0 | 0 | 410,896 | 0 | 410,896 |
| Debt Service: | | | | | | |
| Repayment of Debt | 0 | 0 | 448,365 | 0 | 0 | 448,365 |
| Total Expenditures | <u>11,982,199</u> | <u>1,473,182</u> | <u>455,810</u> | <u>600,977</u> | <u>3,258</u> | <u>14,515,426</u> |
| Excess (Deficiency) of Revenues | | | | | | |
| Over (Under) Expenditures | 874,587 | (92,695) | (62,649) | 184,023 | 2,983 | 906,249 |
| Other Financing Sources and Uses: | | | | | | |
| Other Financing Sources | | | | | | |
| Sale & Loss of Assets | 1,141 | 0 | 0 | 0 | 0 | 1,141 |
| Transfers-In | 0 | 0 | 101,443 | 0 | 0 | 101,443 |
| Refund of Prior Year Expenditures | 1,677 | 0 | 0 | 0 | 0 | 1,677 |
| Other Financing Uses | | | | | | |
| Transfer-Out | (101,443) | 0 | 0 | 0 | 0 | (101,443) |
| Refund of Prior Year Receipts | (109,686) | 0 | (9,721) | (2,083) | 0 | (121,490) |
| Other Expenses | (1,586) | 0 | 0 | 0 | 0 | (1,586) |
| Net Other Financing Sources and Uses | <u>(209,897)</u> | <u>0</u> | <u>91,722</u> | <u>(2,083)</u> | <u>0</u> | <u>(120,258)</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditure | | | | | | |
| Disbursement and Other Uses | 664,690 | (92,695) | 29,073 | 181,940 | 2,983 | 785,991 |
| Increase in Inventory | (575) | 0 | 0 | 0 | 0 | (575) |
| Beginning Fund Balance | 2,398,221 | 172,559 | 478,831 | 170,010 | 2,376 | 3,221,997 |
| Ending Fund Balance | <u>\$ 3,062,336</u> | <u>79,864</u> | <u>507,904</u> | <u>351,950</u> | <u>5,359</u> | <u>\$ 4,007,413</u> |

See Accompanying Notes to the General Purpose Financial Statements.

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types -
Year Ended June 30, 1999**

| | General Fund | | | Special Revenue Funds | | |
|---|-------------------|-------------------|----------------------------------|-----------------------|------------------|----------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 3,430,359 | 3,407,175 | (23,184) | 0 | 0 | \$ 0 |
| Tuition | 15,164 | 22,764 | 7,600 | 0 | 0 | 0 |
| Earnings on Investment | 60,000 | 238,045 | 178,045 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 99,453 | 100,938 | 1,485 |
| Classroom Materials and Fees | 6,351 | 5,902 | (449) | 0 | 0 | 0 |
| Miscellaneous | 21,486 | 29,508 | 8,022 | 95,476 | 100,478 | 5,002 |
| Local Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| State Unrestricted Grants-in-Aid | 7,250,618 | 9,030,135 | 1,779,517 | 44,788 | 42,960 | (1,828) |
| State Restricted Grants-in-Aid | 0 | 33,107 | 33,107 | 250,000 | 251,541 | 1,541 |
| Revenue for/on Behalf of District | 550,000 | 15,891 | (534,109) | 0 | 0 | 0 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 760,366 | 886,229 | 125,863 |
| Total Revenue | 11,333,978 | 12,782,527 | 1,448,549 | 1,250,083 | 1,382,146 | 132,063 |
| Expenditures: | | | | | | |
| Regular Instruction | 6,804,105 | 6,490,201 | 313,904 | 58,969 | 30,721 | 28,248 |
| Special Instruction | 926,815 | 804,513 | 122,302 | 771,716 | 681,450 | 90,266 |
| Vocational Instruction | 163,185 | 159,491 | 3,694 | 0 | 0 | 0 |
| Other Instruction | 62,305 | 89,302 | (26,997) | 108,444 | 90,236 | 18,208 |
| Support Services-Pupils | 573,589 | 548,168 | 25,421 | 212,155 | 139,645 | 72,510 |
| Support Services-Instructional Staff | 664,211 | 508,954 | 155,257 | 243,342 | 271,317 | (27,975) |
| Support Services-Board of Education | 30,621 | 13,970 | 16,651 | 0 | 0 | 0 |
| Support Services-Administration | 1,276,991 | 1,256,883 | 20,108 | 39,713 | 47,641 | (7,928) |
| Fiscal Services | 281,229 | 277,928 | 3,301 | 96,266 | 26,224 | 70,042 |
| Support Services-Business | 750 | 0 | 750 | 0 | 0 | 0 |
| Operation & Maintenance-Plant | 1,199,934 | 1,076,537 | 123,397 | 4,100 | 4,100 | 0 |
| Support Services-Transportation | 696,895 | 670,924 | 25,971 | 11,077 | 285 | 10,792 |
| Support Services-Central | 3,867 | 3,667 | 200 | 8,843 | 5,955 | 2,888 |
| Community Services | 0 | 0 | 0 | 61,187 | 85,064 | (23,877) |
| Academic & Subject Oriented | 23,212 | 23,416 | (204) | 23,939 | 17,817 | 6,122 |
| Occupation Oriented | 0 | 0 | 0 | 261 | 75 | 186 |
| Sports Oriented | 302,005 | 179,152 | 122,853 | 100,455 | 92,310 | 8,145 |
| Co-Curricular Activities | 9,041 | 10,377 | (1,336) | 28,547 | 25,824 | 2,723 |
| Site Improvement | 25,740 | 12,859 | 12,881 | 0 | 0 | 0 |
| Architecture Engineering | 40,160 | 0 | 40,160 | 0 | 0 | 0 |
| Building Acquisition & Construction | 0 | 0 | 0 | 0 | 0 | 0 |
| Building Improvement | 0 | 0 | 0 | 0 | 0 | 0 |
| Repayment of Debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 13,084,655 | 12,126,342 | 958,313 | 1,769,014 | 1,518,664 | 250,350 |
| Excess of Revenue Over (Under) Expenditures | (1,750,677) | 656,185 | 2,406,862 | (518,931) | (136,518) | 382,413 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 0 | 1,141 | 1,141 | 0 | 0 | 0 |
| Transfers-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-In | 0 | 1,300 | 1,300 | 0 | 11,900 | 11,900 |
| Refund of Prior Year Expenses | 700 | 1,789 | 1,089 | 0 | 0 | 0 |
| Transfers-Out | (189,178) | (101,443) | 87,735 | 0 | 0 | 0 |
| Advances-Out | (5,000) | (75,400) | (70,400) | 0 | 0 | 0 |
| Refund of Prior Year Receipts | (84,974) | (109,686) | (24,712) | 0 | 0 | 0 |
| Other Miscellaneous Uses | (2,781) | (2,465) | 316 | 0 | 0 | 0 |
| Total Other Sources (Uses) | (281,233) | (284,764) | (3,531) | 0 | 11,900 | 11,900 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (2,031,910) | 371,421 | 2,403,331 | (518,931) | (124,618) | 394,313 |
| Beginning Fund Balance | 2,359,106 | 2,359,106 | -- | 307,032 | 307,032 | -- |
| Prior Year Carry Over Encumbrances | 238,416 | 238,416 | -- | 11,061 | 11,061 | -- |
| Ending Fund Balance | \$ 565,612 | 2,968,943 | 2,403,331 | (200,838) | 193,475 | \$ 394,313 |

(Continued)

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types - Continued
Year Ended June 30, 1999

| | Debt Service Funds | | | Capital Service Funds | | |
|---|--------------------|----------------|----------------------------------|-----------------------|----------------|----------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 435,119 | 376,815 | (58,304) | 75,061 | 74,830 | \$ (231) |
| Tuition | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings on Investment | 0 | 0 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Classroom Materials and Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 20 | 0 | (20) |
| Local Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| State Unrestricted Grants-in-Aid | 50,408 | 48,255 | (2,153) | 8,348 | 9,279 | 931 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 230,951 | 698,796 | 467,845 |
| Revenue for/on Behalf of District | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 485,527 | 425,070 | (60,457) | 314,380 | 782,905 | 468,525 |
| Expenditures: | | | | | | |
| Regular Instruction | 0 | 0 | 0 | 289,504 | 128,662 | 160,842 |
| Special Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Vocational Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Instruction | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Pupils | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Instructional Staff | 0 | 0 | 0 | 118,985 | 101,913 | 17,072 |
| Support Services-Board of Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Administration | 0 | 0 | 0 | 0 | 0 | 0 |
| Fiscal Services | 9,000 | 7,445 | 1,555 | 1,500 | 1,506 | (6) |
| Support Services-Business | 0 | 0 | 0 | 0 | 0 | 0 |
| Operation & Maintenance-Plant | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| Support Services-Central | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Academic & Subject Oriented | 0 | 0 | 0 | 0 | 0 | 0 |
| Occupation Oriented | 0 | 0 | 0 | 0 | 0 | 0 |
| Sports Oriented | 0 | 0 | 0 | 0 | 0 | 0 |
| Co-Curricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Site Improvement | 0 | 0 | 0 | 49,700 | 27,930 | 21,770 |
| Architecture Engineering | 0 | 0 | 0 | 0 | 48,214 | (48,214) |
| Building Acquisition & Construction | 0 | 0 | 0 | 450,000 | 402,546 | 47,454 |
| Building Improvement | 0 | 0 | 0 | 58,764 | 76,361 | (17,597) |
| Repayment of Debt | 577,443 | 447,965 | 129,478 | 0 | 0 | 0 |
| Total Expenditures | 586,443 | 455,410 | 131,033 | 968,453 | 787,132 | 181,321 |
| Excess of Revenue Over (Under) Expenditures | (100,916) | (30,340) | 70,576 | (654,073) | (4,227) | 649,846 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers-In | 63,473 | 101,443 | 37,970 | 0 | 0 | 0 |
| Advances-In | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Prior Year Expenditures | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers-Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances-Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Prior Year Receipts | 0 | (9,721) | (9,721) | 0 | (2,083) | (2,083) |
| Other Miscellaneous Uses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Sources (Uses) | 63,473 | 91,722 | 28,249 | 0 | (2,083) | (2,083) |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (37,443) | 61,382 | 98,825 | (654,073) | (6,310) | 647,763 |
| Beginning Fund Balance | 322,758 | 322,758 | -- | 109,370 | 109,370 | -- |
| Prior Year Carry Over Encumbrances | 0 | 0 | -- | 116,257 | 116,257 | -- |
| Ending Fund Balance | \$ 285,315 | 384,140 | 98,825 | (428,446) | 219,317 | \$ 647,763 |

(Continued)

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Types - Continued
Year Ended June 30, 1999**

| | Expendable Trust Funds | | | Totals (Memorandum Only) | | |
|---|------------------------|--------------|--|--------------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Taxes | \$ 0 | 0 | 0 | 3,940,539 | 3,858,820 | \$ (81,719) |
| Tuition | 0 | 0 | 0 | 15,164 | 22,764 | 7,600 |
| Earnings on Investment | 0 | 0 | 0 | 60,000 | 238,045 | 178,045 |
| Extracurricular Activities | 0 | 0 | 0 | 99,453 | 100,938 | 1,485 |
| Classroom Materials and Fees | 0 | 0 | 0 | 6,351 | 5,902 | (449) |
| Miscellaneous | 0 | 0 | 0 | 116,982 | 129,986 | 13,004 |
| Local Restricted Grants-in-Aid | 8,000 | 6,243 | (1,757) | 8,000 | 6,243 | (1,757) |
| State Unrestricted Grants-in-Aid | 0 | 0 | 0 | 7,354,162 | 9,130,629 | 1,776,467 |
| State Restricted Grants-in-Aid | 0 | 0 | 0 | 480,951 | 983,444 | 502,493 |
| Revenue for/on Behalf of District | 0 | 0 | 0 | 550,000 | 15,891 | (534,109) |
| Federal Restricted Grants-in-Aid | 0 | 0 | 0 | 760,366 | 886,229 | 125,863 |
| Total Revenue | 8,000 | 6,243 | (1,757) | 13,391,968 | 15,378,891 | 1,986,923 |
| Expenditures: | | | | | | |
| Regular Instruction | 8,618 | 5,603 | 3,015 | 7,161,196 | 6,655,187 | 506,009 |
| Special Instruction | 0 | 0 | 0 | 1,698,531 | 1,485,963 | 212,568 |
| Vocational Instruction | 0 | 0 | 0 | 163,185 | 159,491 | 3,694 |
| Adult/continuing Instruction | 0 | 0 | 0 | 170,749 | 179,538 | (8,789) |
| Support Services-Pupils | 0 | 0 | 0 | 785,744 | 687,813 | 97,931 |
| Support Services-Instructional Staff | 0 | 0 | 0 | 1,026,538 | 882,184 | 144,354 |
| Support Services-Board of Education | 0 | 0 | 0 | 30,621 | 13,970 | 16,651 |
| Support Services-Administration | 0 | 0 | 0 | 1,316,704 | 1,304,524 | 12,180 |
| Fiscal Services | 0 | 0 | 0 | 387,995 | 313,103 | 74,892 |
| Support Services-Business | 0 | 0 | 0 | 750 | 0 | 750 |
| Operation & Maintenance-Plant | 0 | 0 | 0 | 1,204,034 | 1,080,637 | 123,397 |
| Support Services-Transportation | 0 | 0 | 0 | 707,972 | 671,209 | 36,763 |
| Support Services-Central | 0 | 0 | 0 | 12,710 | 9,622 | 3,088 |
| Food Services Operations | 0 | 0 | 0 | 61,187 | 85,064 | (23,877) |
| Academic & Subject Oriented | 0 | 0 | 0 | 47,151 | 41,233 | 5,918 |
| Occupation Oriented | 0 | 0 | 0 | 261 | 75 | 186 |
| Sports Oriented | 0 | 0 | 0 | 402,460 | 271,462 | 130,998 |
| Co-Curricular Activities | 0 | 0 | 0 | 37,588 | 36,201 | 1,387 |
| Site Improvement | 0 | 0 | 0 | 75,440 | 40,789 | 34,651 |
| Architecture Engineering | 0 | 0 | 0 | 40,160 | 48,214 | (8,054) |
| Building Acquisition & Construction | 0 | 0 | 0 | 450,000 | 402,546 | 47,454 |
| Building Improvement | 0 | 0 | 0 | 58,764 | 76,361 | (17,597) |
| Repayment of Debt | 0 | 0 | 0 | 577,443 | 447,965 | 129,478 |
| Total Expenditures | 8,618 | 5,603 | 3,015 | 16,417,183 | 14,893,151 | 1,524,032 |
| Excess of Revenue Over (Under) Expenditures | (618) | 640 | 1,258 | (3,025,215) | 485,740 | 3,510,955 |
| Other Financing Sources (Uses): | | | | | | |
| Sale & Loss of Assets | 0 | 0 | 0 | 0 | 1,141 | 1,141 |
| Transfers-In | 0 | 0 | 0 | 63,473 | 101,443 | 37,970 |
| Advances-In | 0 | 0 | 0 | 0 | 13,200 | 13,200 |
| Refund of Prior Year Expenditures | 0 | 0 | 0 | 700 | 1,789 | 1,089 |
| Transfers-Out | 0 | 0 | 0 | (189,178) | (101,443) | 87,735 |
| Advances-Out | 0 | 0 | 0 | (5,000) | (75,400) | (70,400) |
| Refund of Prior Year Receipts | 0 | 0 | 0 | (84,974) | (121,490) | (36,516) |
| Other Miscellaneous Uses | 0 | 0 | 0 | (2,781) | (2,465) | 316 |
| Total Other Sources (Uses) | 0 | 0 | 0 | (217,760) | (183,225) | 34,535 |
| Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (618) | 640 | 1,258 | (3,242,975) | 302,515 | 3,545,490 |
| Beginning Fund Balance | 3,254 | 3,254 | -- | --3,101,520 | 3,101,520 | -- |
| Prior Year Carry Over Encumbrances | 1,500 | 1,500 | -- | 367,234 | 367,234 | -- |
| Ending Fund Balance | \$ 4,136 | 5,394 | 1,258 | 225,779 | 3,771,269 | \$ 3,545,490 |

See Accompanying Notes to the General Purpose Financial Statement.

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum) (Only) |
|---|-------------------------|------------------------------|----------------------------------|
| | Enterprise Funds | Internal Service Funds | |
| Operating Revenues: | | | |
| Food Service | \$ 238,794 | 0 | \$ 238,794 |
| Classroom Materials & Fees | 22,561 | 0 | 22,561 |
| Miscellaneous | 0 | 699 | 699 |
| Total Operating Revenue | <u>261,355</u> | <u>699</u> | <u>262,054</u> |
| Operating Expenses: | | | |
| Personal Services - Salary | 256,275 | 0 | 256,275 |
| Employee Benefits | 59,725 | 0 | 59,725 |
| Purchased Services | 7,952 | 0 | 7,952 |
| Supplies and Materials | 345,196 | 209 | 345,405 |
| Other Expenses | 961 | 0 | 961 |
| Depreciation | <u>12,238</u> | <u>0</u> | <u>12,238</u> |
| Total Operating Expenses | <u>682,347</u> | <u>209</u> | <u>682,556</u> |
| Operating Income (Loss) | (420,992) | 490 | (420,502) |
| Non-Operating Revenues: | | | |
| Sale and Loss of Assets | (4,427) | 0 | (4,427) |
| State Unrestricted Grants-In-Aid | 22,301 | 0 | 22,301 |
| Federal Unrestricted Grants-In-Aid | 280,587 | 0 | 280,587 |
| Federal Restricted Grants-In-Aid | <u>46,697</u> | <u>0</u> | <u>46,697</u> |
| Total Non-Operating Revenues | 345,158 | 0 | 345,158 |
| Net Income(Loss) | (75,834) | 490 | (75,344) |
| Beginning Retained Earnings | <u>145,648</u> | <u>2,113</u> | <u>147,761</u> |
| Retained Earnings at End of Year | <u>\$ 69,814</u> | <u>2,603</u> | <u>\$ 72,417</u> |

See Accompanying Notes to the General Purpose Financial Statements.

Combined Statement of Changes in Cash Flows
All Proprietary Fund Types
Year Ended June 30, 1999

| | Proprietary Fund Types | | Totals (Memorandum) (Only) |
|--|-------------------------|------------------------------|----------------------------------|
| | Enterprise Funds | Internal Service Funds | |
| Cash Flows from Operating Activities | | | |
| Operating Gain (Loss) | \$ (420,992) | 490 | \$ (420,502) |
| Adjustment to Reconcile Operating Gain (Loss) | | | |
| To Net Cash used in Operating Activities: | | | |
| Commodities Used | 46,697 | 0 | 46,697 |
| Depreciation | 12,238 | 0 | 12,238 |
| Net (Increase) Decrease in Assets: | | | |
| Accounts Receivable | (115) | 0 | (115) |
| Inventory | (928) | 0 | (928) |
| Net Increases (Decreases) in Liabilities: | | | |
| Due to Other Funds | 1,399 | 0 | 1,399 |
| Due to Other Governments | 8 | 0 | 8 |
| Accounts Payable | (1,258) | 0 | (1,258) |
| Accrued Salaries and Benefits | 1,214 | 0 | 1,214 |
| Deferred Revenue | 769 | 0 | 769 |
| Compensated Absences | 6,155 | 0 | 6,155 |
| Total Adjustments | <u>66,179</u> | <u>0</u> | <u>66,179</u> |
| Net Cash Used in Operating Activities | (354,813) | 490 | (354,323) |
| Cash Flows from Noncapital Activities: | | | |
| Advances from Other Funds | 63,500 | 0 | 63,500 |
| Return of Advances to Other Funds | (1,300) | 0 | (1,300) |
| Operating Grants from State Sources | 20,110 | 0 | 20,110 |
| Operating Grants from Federal Sources | 248,201 | 0 | 248,201 |
| Net Cash Provided by Noncapital Financing Sources | <u>330,511</u> | <u>0</u> | <u>330,511</u> |
| Cash Flows from Capital Activities: | | | |
| Acquisition of Capital Assets | (3,555) | 0 | (3,555) |
| Net Cash Provided by Capital Financing Sources | <u>(3,555)</u> | <u>0</u> | <u>(3,555)</u> |
| Net Increase (Decrease) in Cash & Cash Equivalents | (27,857) | 490 | (27,367) |
| Cash and Cash Equivalents at Beginning of Year | 40,482 | 2,113 | 42,595 |
| Cash and Cash Equivalents at End of Year | <u>\$ 12,625</u> | <u>2,603</u> | <u>\$ 15,228</u> |

See Accompanying Notes to General Purpose Financial Statements.

Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 2,569. The District employed 172 certified employees and 100 non-certificated employees.

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 acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds 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.

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Principles (continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District currently has no nonexpendable trust funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2000 operations, have been recorded as deferred revenues.

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Policies (continued)

4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditures budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);

Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit, STAR Ohio and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. 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, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$238,045.

For the District, all investment earnings accrue to the General Fund as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$238,045.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally

Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

SchoolNet Funding
Technology Equity
Emergency School Repair

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Policies (continued)

Non-Reimbursable Grants:

Special Revenue Funds

- Title I
- Title VI
- Title VI-B
- Local Professional Block Grants
- Pre School Grants
- Drug Free School Grants
- Eisenhower Grants
- Goals 2000
- DPIA

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- CAFS

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 65% of the District's operating revenue during the 1999 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 1999, the District had \$236,905 in "Due to/Due from Other Funds" and \$75,400 in "Interfund Receivables/Payables."

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics 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 are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 1999, the District had no contributed capital.

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Q. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, encumbrances and future appropriations and budget stabilization. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 1. Summary of Significant Accounting Policies (continued)

received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. 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 financial statements and accompanying notes. Actual results may differ from those estimates.

S. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types**

| | General Fund | Special Revenue | Debt Service | Capital Project |
|---|-----------------|--------------------|-----------------|--------------------|
| GAAP Basis | \$ 664,690 | (92,695) | 29,073 | \$ 181,940 |
| Increase (Decrease): | | | | |
| Due to Revenues: | | | | |
| Net Adjustments to Revenue Accruals | (74,259) | 1,659 | 31,909 | (2,095) |
| Due to Expenditures: | | | | |
| Net Adjustments to Expenditure Accruals | (144,143) | (45,482) | 400 | (186,155) |
| Due to Other Sources/Uses | (74,867) | 11,900 | 0 | 0 |
| Budget Basis | \$ 371,421 | (124,618) | 61,382 | \$ (6,310) |

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 3. Accountability and Compliance

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

1. Section 5705.38, Revised Code, requires the Board of Education to adopt the original appropriation. Section 5705.40, Revised Code, states that any appropriation measure may be amended or supplemented as long as the School District complies with the same provisions of the law as used in making the original appropriation.

The Board of Education established appropriations at the fund/function/object level, thus establishing the legal level of control. At the beginning of the fiscal year, the Treasurer was given authority by the Board of Education to amend appropriations as long as the amendment did not exceed the fund's total original appropriations. Consequently, throughout the year, the Treasurer amended the appropriations at or above the legal level of control prior to the Board adopting the changes. These two situations are contrary to the above Revised Code Sections. That is, the Board of Education is not permitted to delegate its authority to the Treasurer, and consequently, the Treasurer cannot amend appropriations at the legal level of control prior to the Board's adoption of the amendment.

Amendments made by the Treasurer were not considered when determining compliance with Ohio Revised Code Section 5705.41(B)(D) and as a result expenditures exceeded appropriations for various fund accounts as shown in the "Schedule of Findings" - Finding Number 1998-11104-002. This situation also resulted in adjustments being made to the budgetary financial statements.

2. Section 5705.41(B),(D), Revised Code, states that no subdivision or taxing unit is to expend money unless it has been properly appropriated. During the testing of Budgetary for Conneaut Area City School District, the following funds, functions, were found to have expenditures plus encumbrances in excess of appropriations contrary to the above statute:

| <u>Fund Type</u> <u>Fund/Function</u> | <u>Appropriations</u> | <u>Encumbrances/ Expenditures</u> | <u>Variance</u> |
|--|-----------------------|---------------------------------------|-----------------|
| <u>General</u> | | | |
| Other Instruction | \$62,305 | \$89,302 | \$(26,997) |
| <u>Special Revenue</u> | | | |
| Support Service-Instr. Staff | 243,342 | 271,317 | (27,975) |
| Support Service-Administration | 39,713 | 47,641 | (7,928) |
| Community Services | 61,187 | 85,064 | (23,877) |
| <u>Capital Projects</u> | | | |
| Architecture Engineering | 0 | 48,214 | (48,214) |
| Building Improvement | 58,764 | 76,361 | (17,597) |

Note 4. 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Cash and Investments - (Continued)

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 pass book accounts.

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

Moneys held by the District which are not considered active are classified as inactive. Inactive 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 and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
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 moneys available for investment at any one time.

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.

Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Cash and Investments (continued)

Cash on Hand At fiscal year end, the District had \$660 in under deposited cash on hand which is included on the Combined Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$182,227) and the bank balance was \$46,500, all of which was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's

investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

| | Category | | | Carrying Value | Fair Value |
|-----------------------|----------|---|---------|----------------|--------------|
| | 1 | 2 | 3 | | |
| STAR Ohio | \$ 0 | 0 | 0 | 4,573,340 | \$ 4,573,340 |
| Repurchase Agreements | 0 | 0 | 159,604 | 159,604 | 159,604 |
| Total Investments | \$ 0 | 0 | 159,604 | 4,732,944 | \$ 4,732,944 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents | Investments |
|------------------------------|---------------------------|--------------|
| GASB Statement No. 9 | \$ 4,551,377 | \$ 0 |
| Investments: | | |
| Repurchase Agreements | (159,604) | 159,604 |
| STAR Ohio | (4,573,340) | 4,573,340 |
| Petty Cash | (660) | 0 |
| Total - GASB Statement No. 3 | \$ (182,227) | \$ 4,732,944 |

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1996, an update will be done in 1999. The next revaluation is scheduled for 2002. 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 usually due February 14, with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year.

Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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 March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$35.79 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

| | |
|--|-----------------------|
| Real Property-Commercial/Industrial | \$ 22,040,700 |
| Real Property-Residential/Agricultural | 86,708,880 |
| Real Property-Public Utilities | 1,055,900 |
| Personal Property-General | 17,370,790 |
| Personal Property-Public Utilities | <u>13,858,100</u> |
| Total Assessed Value | <u>\$ 141,034,370</u> |

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 6. Receivables

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

| | |
|----------------------------------|-----------|
| Special Revenue Fund: | |
| Textbook Subsidy | \$ 5 |
| CAFS | 16,628 |
| Total Special Revenue Fund | 16,633 |
| Proprietary Fund: | |
| State & Federal Lunchroom Grants | 77,537 |
| Total Proprietary Fund | 77,537 |
| Grand Total | \$ 94,170 |

Note 7. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

| | |
|-------------------------------|------------|
| Furniture and Equipment | \$ 297,981 |
| Less Accumulated Depreciation | (201,709) |
| Net Fixed Assets | \$ 96,272 |

In proprietary funds, the following estimated useful lives are used to compute depreciation:

| | |
|-----------|------------|
| Equipment | 8-20 years |
| Furniture | 20 years |
| Vehicles | 10 years |

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

| | General Fixed Assets June 30, 1998 | Additions | Deletions | General Fixed Assets June 30, 1999 |
|----------------------------|--|-----------|-----------|--|
| Land and Improvements | \$ 373,373 | 554,000 | 0 | \$ 927,373 |
| Buildings | 6,563,202 | 0 | 0 | 6,563,202 |
| Furniture and Equipment | 3,345,458 | 184,032 | 6,141 | 3,523,349 |
| Vehicles | 759,069 | 71,304 | 0 | 830,373 |
| Construction in Progress | 0 | 272,207 | 0 | 272,207 |
| Total General Fixed Assets | \$ 11,041,102 | 1,081,543 | 6,141 | \$ 12,116,504 |

Notes to the General Purpose Financial Statements
June 30, 1999

Note 8. 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$273,360, \$255,216 and \$242,100, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$136,680 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$1,018,584, \$978,480 and \$936,672, respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$169,764 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Notes to the General Purpose Financial Statements
June 30, 1999

Note 9. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase of 3.5 percent over fiscal year 1998. For the District, this amount equaled \$254,646 for fiscal year 1999. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.158 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$119,247 during the 1999 fiscal year.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Note 10. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The Superintendent and Treasurer are granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 10. Compensated Absences (Continued)

The Classified personnel accumulate vacation based on the following schedule:

| <u>Years Service</u> | <u>Vacation Days</u> |
|----------------------|----------------------|
| 1-8 | 10 |
| 9-13 | 15 |
| 14-beyond | 20 |

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 275 days, maximum for classified employees is 265 days. For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty days for certified employees and fifty-two days for classified employees.

For certified and classified employees, separation severance is paid to each employee upon resignation from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving separation severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to the maximum.

Note 11. 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 \$3,000,000 in the aggregate.

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 \$31,109,826.

B. Workers Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, The President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 11. Risk Management (Continued)

will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

In July, 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to form a council of governments to insure its medical claims. The consortium currently includes seven member school districts. The insurance plan operates as a full indemnity program.

Note 12. Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

| | Balance | | | Balance |
|----------------------------------|---------------------|---------------|----------------|---------------------|
| | July 1, 1998 | Additions | Deletions | June 30, 1999 |
| General Obligation Bonds Payable | \$ 1,745,000 | 0 | 225,000 | \$ 1,520,000 |
| Energy Notes Payable | 450,000 | 0 | 75,000 | 375,000 |
| Asbestos Notes Payable | 45,950 | 0 | 5,405 | 40,545 |
| Intergovernmental Payable | 95,615 | 12,760 | 0 | 108,375 |
| Compensated Absences Payable | 1,192,798 | 44,143 | 0 | 1,236,941 |
| | <u>\$ 3,529,363</u> | <u>56,903</u> | <u>305,405</u> | <u>\$ 3,280,861</u> |

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

General Obligation Bonds:

The \$1,520,000 of outstanding general obligation bonds relates to two projects. In 1975, bonds were issued for the purpose of constructing and equipping a new junior high school building and improving the site thereof. The original issue was for \$850,000 with a 7% interest rate. These bonds matured in December, 1998, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

In 1986, bonds were issued for the purpose of constructing and equipping a new high school building and improving the site thereof. The original issue was \$3,793,000 with a 7.35% interest rate. These bonds mature in December, 2006, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

| | Principal | Interest | Payment |
|-----------------------|---------------------|----------------|---------------------|
| FY2000 | \$ 190,000 | 105,094 | \$ 295,094 |
| FY2001 | 190,000 | 91,964 | 281,964 |
| FY2002 and thereafter | 1,140,000 | 253,108 | 1,393,108 |
| | <u>\$ 1,520,000</u> | <u>450,166</u> | <u>\$ 1,970,166</u> |

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 12. Notes and Long-Term Debt (continued)

Energy Notes Payable:

In December, 1994, the Board of Education authorized the issuance of H.B. 264 energy notes in the amount of \$750,000 to meet current cash flow requirements. The notes mature in annual installments through December, 2003, with interest payable at 5.05%. The annual maturities of the notes as of June 30, 1999, and related interest payments are as follows:

| | Principal | Interest | Payment |
|-----------------------|-------------------|---------------|-------------------|
| FY2000 | \$ 75,000 | 17,212 | \$ 92,212 |
| FY2001 | 75,000 | 13,388 | 88,388 |
| FY2002 and thereafter | 225,000 | 17,212 | 242,212 |
| | <u>\$ 375,000</u> | <u>47,812</u> | <u>\$ 422,812</u> |

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$141,034. The voted debt limit at June 30, 1999 is \$12,693,093.

Asbestos Notes Payable:

Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$97,306 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$5,406 annually, with the first payment made in June 1989 and the final amount due December 2006.

The annual maturities of the general obligation notes as of June 30, 1999, and related interest payments are as follows:

| | Payment |
|---------------------|------------------|
| FY2000 | \$ 5,406 |
| FY2001 | 5,406 |
| FY2002 & Thereafter | 29,733 |
| | <u>\$ 40,545</u> |

Note 13. Interfund Transactions

At June 30, 1999, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Interfund Payables:

| | Receivables | Payables |
|-----------------------|------------------|------------------|
| General Fund | \$ 75,400 | \$ 0 |
| Special Revenue Funds | 0 | 11,900 |
| Enterprise Funds | 0 | 63,500 |
| | <u>\$ 75,400</u> | <u>\$ 75,400</u> |

Notes to the General Purpose Financial Statements
June 30, 1999

Note 13. Interfund Transactions(Continued)

Due To/From Other Funds:

| | Due to Other Funds | Due From Other Funds |
|-----------------------|-----------------------|-------------------------|
| General Fund | \$ 202,185 | \$ 0 |
| Special Revenue Funds | 16,961 | 0 |
| Enterprise Funds | 17,759 | 0 |
| Expendable Trust | 0 | 0 |
| Agency Funds | 0 | 236,905 |
| | <u>\$ 236,905</u> | <u>\$ 236,905</u> |

Note 14. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

| | Lunchroom Fund | Uniform School Supply Fund | Total |
|--------------------------------------|--------------------|-------------------------------------|--------------------|
| Operating Revenues | \$ 238,794 | 22,561 | \$ 261,355 |
| Operating Expenses: | | | |
| Depreciation | (12,238) | 0 | (12,238) |
| Other Expenses | (645,788) | (24,321) | (670,109) |
| Total Operating Expenses | <u>(658,026)</u> | <u>(24,321)</u> | <u>(682,347)</u> |
| Operating Loss/Gain | (419,232) | (1,760) | (420,992) |
| Non Operating Revenues and Expenses: | | | |
| Loss on Disposal of Assets | (4,427) | 0 | (4,427) |
| Operating Grants | 349,585 | 0 | 349,585 |
| Net Income (loss) | <u>\$ (74,074)</u> | <u>(1,760)</u> | <u>\$ (75,834)</u> |
| Net Working Capital | <u>\$ (22,649)</u> | <u>(3,809)</u> | <u>\$ (26,458)</u> |
| Total Assets | <u>\$ 197,712</u> | <u>1,685</u> | <u>\$ 199,397</u> |
| Total Fund Equity | <u>\$ 73,623</u> | <u>(3,809)</u> | <u>\$ 69,814</u> |

Note 15. 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 support NEOMIN based upon a per pupil charge. Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and two treasurers. The District was represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the

Notes to the General Purpose Financial Statements
June 30, 1999

Note 15. Jointly Governed Organizations(Continued)

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.

Ashtabula County Joint Vocational School District

The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a nine-member board of education and is funding by levying millage and state and federal support.

The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing a quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use 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 school district superintendent from each participating county, one city school district superintendent, and two local school district superintendents, rotating every two years. Financial information can be obtained by contacting the Treasurer at 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 governing 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 terms rotate each year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

Note 16. Contingencies

A. Grants

The District received 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 is 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 adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 1999.

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 17. School Funding Decision/Subsequent Event

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$8,609,149 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

Note 18. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

| | Textbook Reserve | Capital Maintenance Reserve | Budget Stabilization Reserve | Total |
|---|---------------------|-----------------------------------|------------------------------------|-------------------|
| Set-Aside Cash Balance, 7/1/1998 | \$ 0 | \$ 0 | \$ 77,141 | \$ 77,141 |
| Current Year Required Set Aside | 183,755 | 183,755 | 91,877 | 459,387 |
| Amount Set-Aside in Excess of Required Set-Aside | 0 | 0 | 9,632 | 9,632 |
| Current Year Offset Credits | (35,137) | (74,830) | 0 | (109,967) |
| Qualifying Disbursements | (281,139) | (158,973) | 0 | (440,112) |
| Total | \$ (132,521) | \$ (50,048) | \$ 178,650 | \$ (3,919) |
| Cash Balance Carried Forward to FY2000 | \$ 0 | \$ 0 | \$ 178,650 | \$ 178,650 |

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

| | |
|--|-------------------|
| Amount Restricted for Budget Stabilization | <u>\$ 178,650</u> |
| Total Restricted Assets | <u>\$ 178,650</u> |

**Notes to the General Purpose Financial Statements
June 30, 1999**

Note 19. Fund Deficits

The following funds had deficit balances at June 30, 1999:

Special Revenue Funds:

| | |
|---------|--------------------|
| Title I | <u>\$ (69,751)</u> |
|---------|--------------------|

| | |
|------------|--------------------|
| Title VI-B | <u>\$ (24,651)</u> |
|------------|--------------------|

| | |
|-----------------------------|-----------------|
| PreSchool Handicapped Grant | <u>\$ (438)</u> |
|-----------------------------|-----------------|

Enterprise Fund:

| | |
|-----------------------|-------------------|
| Uniform School Supply | <u>\$ (3,809)</u> |
|-----------------------|-------------------|

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficit and will take the necessary steps to alleviate the deficit. The general fund is liable for any deficits in the special revenue and enterprise funds and provides operating transfers when cash is required, not when accruals occur.

Note. 20. Subsequent Events

Effective May 20, 1997, Senate Bill No. 102 expanded the school building and repairs programs under Chapter 3318 O.R.C. This expansion allowed the District to become eligible for the program. On March 7, 2000, a 3.54 mill Bond Issue was passed by the District voters. With the \$6,665,135 generated by the passage of the Bond Issue, the District will receive \$31,671,818 in matching funds from the Ohio Schools Facility Commission's Classroom Facilities Assistance Program. A new elementary school and a new middle school will be constructed along with extensive remodeling and additions to both Conneaut High School and Chestnut Elementary School.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|----------------------------------|---------------------------|--------------------|----------------------|--------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through The Ohio Department of Education:</i> | | | | | | |
| <i>Nutrition Cluster:</i> | | | | | | |
| Food Distribution Program | N/A | 10.550 | - | \$47,466 | - | \$46,593 |
| School Breakfast Program | 05-PU 98 | 10.553 | \$12,404 | - | \$12,404 | - |
| | 05-PU 99 | | 30,758 | - | 30,758 | - |
| Subtotal -- School Breakfast Program | | | 43,162 | - | 43,162 | - |
| National School Lunch Program | 03-PU 99 | 10.555 | 10,169 | - | 10,169 | - |
| | 03-PU 99 | | 25,758 | - | 25,758 | - |
| | 04-PU 98 | | 47,386 | - | 47,386 | - |
| | 04-PU 99 | | 121,727 | - | 121,727 | - |
| Subtotal -- School National School Lunch Program | | | 205,040 | - | 205,040 | - |
| Total U.S. Department of Agriculture – Nutrition Cluster | | | \$248,202 | \$47,466 | \$248,202 | \$46,593 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through The Ohio Department of Education:</i> | | | | | | |
| Grants to Local Educational Agencies - Title I School Subsidy | C1-S1 98 | 84.010 | 846 | - | 846 | - |
| | C1-S1 98C | | 102,250 | - | 102,250 | - |
| | C1-S1 99 | | 579,302 | - | 542,295 | - |
| Subtotal - Title I School Subsidy | | | 682,399 | - | 645,391 | - |
| <i>Special Education Cluster:</i> | | | | | | |
| Special Education Grants to States - Title VI-B Handicapped Flowthrough | 6B-SF 97 P | 84.027 | 14,210 | - | 38,256 | - |
| | 6B-SF 98 P | | 127,217 | - | 133,725 | - |
| Subtotal – Title VI-B Handicapped Flowthrough | | | 141,427 | - | 171,981 | - |
| Special Education - Preschool Grant | PG-S1 98P | 84.173 | 0 | - | 922 | - |
| | PG-S1 99P | | 20,280 | - | 17,974 | - |
| Subtotal – Preschool Grant | | | 20,280 | - | 18,896 | - |
| Total - Special Education Cluster | | | 161,707 | - | 190,877 | - |
| Eisenhower Professional Development State Grant Math and Science – Subsidy | MS-S1 97 | 84.281 | - | - | 4,298 | - |
| | MS-S1 98 | | - | - | 2,882 | - |
| | MS-S1 99 | | 16,550 | - | 724 | - |
| Subtotal - Math and Science Subsidy | | | 16,550 | - | 7,904 | - |
| Safe and Drug Free School and Communities Drug Free Education – Subsidy | DR-S1 98 | 84.186 | - | - | 3,986 | - |
| | DR-S1 99 | | 12,040 | - | 9,537 | - |
| Subtotal - Drug Free Education Subsidy | | | 12,040 | - | 13,523 | - |
| Innovative Education Program Strategies Chapter 2 – Subsidy | CS-S1 97 | 84.298 | - | - | 1,788 | - |
| | CS-S1 98 | | - | - | 7,786 | - |
| | CS-S1 99 | | 9,863 | - | 5,779 | - |
| Subtotal - Chapter 2 Subsidy | | | 9,863 | - | 15,347 | - |
| <i>Passed Through The Ohio Department of Education:</i> | | | | | | |
| <i>Passed Through The Ashtabula County JVS:</i> | | | | | | |
| Vocational Education Basic Grants to States Career Education Mini Grant | N/A | 84.048 | 2,721 | - | 3,285 | - |
| Total – U.S. Department of Education | | | \$885,279 | - | \$876,327 | - |
| Totals | | | \$1,133,481 | \$47,466 | \$1,124,529 | \$46,593 |

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of activity of the Districts federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Conneaut Area City School District
Ashtabula County
263 Liberty Street
Conneaut, Ohio 44030

To The Board of Education:

We have audited the general-purpose financial statements of the Conneaut Area City School District, Ashtabula County, Ohio, as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated April 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

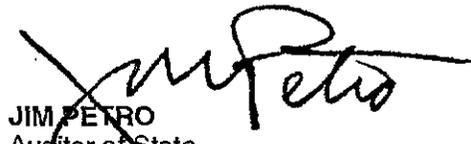
As part of obtaining reasonable assurance about whether the School District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 1999-11104-001 and 1999-11104-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated April 3, 2000.

Conneaut Area City School District
Ashtabula County
Report on Compliance and on Internal Control Required
by *Government Auditing Standards*
Page -2-

This report is intended for the information of management, Board of Education 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.



JIM PETRO
Auditor of State
April 3, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Conneaut Area City School District
Ashtabula County
263 Liberty Street
Conneaut, Ohio 44030

To The Board of Education:

Compliance

We have audited the compliance of Conneaut Area City School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* that are applicable to each of its major federal programs for the year ended June 30, 1999. Conneaut Area City School District's major federal programs are identified in the summary of auditor's 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 Conneaut Area City School District's management. Our responsibility is to express an opinion on Conneaut Area City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Conneaut Area City School 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 on Conneaut Area City School District's compliance with those requirements.

In our opinion, Conneaut Area City School 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, 1999.

Internal Control Over Compliance

The management of Conneaut Area City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bloomfield Mespo Local School 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of Conneaut Area City School District in a separate letter dated April 3, 2000

This report is intended for the information of management, Board of Education 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.



JIM PETRO
Auditor of State

April 3, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|----------------------|--|--|
| <i>(d)()</i> (i) | Type of Financial Statement opinion | Unqualified |
| <i>(d)(1)</i> (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)</i> (ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)</i> (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)</i> (iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)</i> (iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)</i> (v) | Type of Major Programs' Compliance Opinion | unqualified |
| <i>(d)(1)</i> (vi) | Are there any reportable findings under § .510? | No |
| <i>(d)(1)</i> (vii) | Major Programs (list): | Title I CFDA: 84.010 |
| <i>(d)(1)</i> (viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)</i> (ix) | Low Risk Auditee? | Yes |

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

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

| | |
|--------------------------------------|--|
| Finding Number 1998-11178-001 | |
|--------------------------------------|--|

Section 5705.38, Revised Code, requires the Board of Education to adopt the original appropriation. Section 5705.40, Revised Code, states that any appropriation measure may be amended or supplemented as long as the School District complies with the same provisions of the law as used in making the original appropriation.

The Board of Education established appropriations at the fund/function/objectlevel, thus establishing the legal level of control. At the beginning of the fiscal year, the Treasurer was given authority by the Board of Education to amend appropriations as long as the amendment did not exceed the fund's total original appropriations. Consequently, throughout the year, the Treasurer amended the appropriations at or above the legal level of control prior to the Board adopting the changes. These two situations are contrary to the above Revised Code Sections. That is, the Board of Education is not permitted to delegate its authority to the Treasurer, and consequently, the Treasurer cannot amend appropriations at the legal level of control prior to the Board's adoption of the amendment.

Amendments made by the Treasurer were not considered when determining compliance with Ohio Revised Code Section 5705.41(B)(D) and as a result expenditures exceeded appropriations for various fund accounts as shown in Finding Number 1998-11104-002. This situation also resulted in adjustments being made to the budgetary financial statements.

| | |
|--------------------------------------|--|
| Finding Number 1998-11178-002 | |
|--------------------------------------|--|

Section 5705.41(B),(D), Revised Code, states that no subdivision or taxing unit is to expend money unless it has been properly appropriated. During the testing of Budgetary for Conneaut Area City School District, the following funds, functions, were found to have expenditures plus encumbrances in excess of appropriations contrary to the above statute:

| Fund Type Fund/Function | Appropriations | Encumbrances/ Expenditures | Variance |
|--------------------------------|----------------|-------------------------------|-------------|
| <u>General</u> | | | |
| Other Instruction | \$62,305 | \$89,302 | \$(26,997) |
| <u>Special Revenue</u> | | | |
| Support Service-Instr. Staff | \$ 243,342 | \$271,317 | \$ (27,975) |
| Support Service-Administration | 39,713 | 47,641 | (7,928) |
| Community Services | 61,187 | 85,064 | (23,877) |
| <u>Capital Projects</u> | | | |
| Architecture Engineering | 0 | 48,214 | (48,214) |
| Building Improvement | 58,764 | 76,361 | (17,597) |

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Title of Finding

| | |
|--|------|
| Finding Number | None |
| CFDA Title and Number | |
| Federal Award Number and / Year | |
| Federal Agency | |
| Pass-Through Agency | |



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CONNEAUT AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **MAY 11 2000**