



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	6
Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Retained Earnings - All Proprietary Fund Types.	10
Combined Statement of Changes in Cash Flows - Proprietary Fund Type	11
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	40
Notes to Schedule of Federal Award Expenditures	41
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings	47
Schedule of Prior Audit Findings	49

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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 Conneaut Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the School District adopted Governmental Accounting Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated *December 18, 2001* 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information 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

December 18, 2001

This page intentionally left blank.

Conneaut Area City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$ 2,948,557	506,133	404,413	\$ 8,120,270
Restricted Assets	148,873	0	0	0
Taxes Receivable	3,651,554	75,439	174,268	692,437
Due from Other Funds	0	0	0	0
Interfund Receivables	532,622	0	0	0
Intergovernmental Receivables	0	523,004	0	35,285,576
Accounts Receivable	7,137	851	0	4,640
Supplies Inventory	28,428	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	<u>\$ 7,317,171</u>	<u>1,105,427</u>	<u>578,681</u>	<u>\$ 44,102,923</u>
Liabilities:				
Interfund Payables	\$ 21,169	511,453	0	\$ 0
Due to Other Funds	216,334	31,228	0	0
Intergovernmental Payable	8,039	826	0	0
Accounts Payable	80,584	38,107	0	17,730
Accrued Salaries and Benefits	1,442,776	160,834	0	0
Deferred Revenue	2,183,382	46,477	98,965	35,715,032
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	69,686	0	0	0
Total Liabilities	<u>4,021,970</u>	<u>788,925</u>	<u>98,965</u>	<u>35,732,762</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved For Inventory	28,428	0	0	0
Reserved for Textbooks	148,873	0	0	0
Reserved for Encumbrances	201,755	18,112	600	531,696
Reserved for Future Appropriation	1,468,172	28,963	75,303	262,981
Unreserved Fund Balance	1,447,973	269,427	403,813	7,575,484
Total Fund Equity	<u>3,295,201</u>	<u>316,502</u>	<u>479,716</u>	<u>8,370,161</u>
Total Fund Balances/Retained Earnings and Other Credits	<u>3,295,201</u>	<u>316,502</u>	<u>479,716</u>	<u>8,370,161</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$ 7,317,171</u>	<u>1,105,427</u>	<u>578,681</u>	<u>\$ 44,102,923</u>

(continued)

Conneaut Area City School District
Combined Balance Sheet
All Fund Types and Account Groups - Continued
June 30, 2001

	Proprietary Fund Types		Fiduciary	Account Groups		Totals
	Enterprise	Internal Service	Trust and	General	General	(Memorandum)
			Agency	Fixed Assets	Long Term	(Only)
Assets and Other Debits:						
Equity in Pooled Cash and Investments	\$ 58,574	2,553	227,367	0	0	\$ 12,267,867
Restricted Assets	0	0	0	0	0	148,873
Taxes Receivable	0	0	0	0	0	4,593,698
Due from Other Funds	0	0	282,017	0	0	282,017
Interfund Receivables	0	0	0	0	0	532,622
Intergovernmental Receivables	43,900	0	0	0	0	35,852,480
Accounts Receivable	95	0	0	0	0	12,723
Supplies Inventory	1,766	0	0	0	0	30,194
Inventory for Resale	9,707	0	0	0	0	9,707
Net Property, Plant & Equipment	83,809	0	0	14,006,727	0	14,090,536
Amount Available in Debt Service Fund	0	0	0	0	479,716	479,716
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	8,971,842	8,971,842
Total Assets and Other Debits	\$ 197,851	2,553	509,384	14,006,727	9,451,558	\$ 77,272,275
Liabilities:						
Interfund Payables	\$ 0	0	0	0	0	\$ 532,622
Due to Other Funds	34,455	0	0	0	0	282,017
Intergovernmental Payable	198	0	440,083	0	113,910	563,056
Accounts Payable	2,928	0	15,280	0	0	154,629
Accrued Salaries and Benefits	27,194	0	0	0	0	1,630,804
Deferred Revenue	6,971	0	0	0	0	38,050,827
Due to Others	0	0	28,060	0	0	28,060
General Obligation Bonds Payable	0	0	0	0	7,730,895	7,730,895
Energy Notes Payable	0	0	0	0	29,734	29,734
Notes Payable	0	0	0	0	225,000	225,000
Compensated Absences Payable	13,104	0	0	0	1,352,019	1,434,809
Total Liabilities	84,850	0	483,423	0	9,451,558	50,662,453
Fund Equity and Other Credits:						
Investment in General Fixed Assets	0	0	0	14,006,727	0	14,006,727
Retained Earnings	113,001	2,553	0	0	0	115,554
Fund Balances:						
Reserved For Inventory	0	0	0	0	0	28,428
Reserved for Textbooks	0	0	0	0	0	148,873
Reserved for Encumbrances	0	0	0	0	0	752,163
Reserved for Future Appropriation	0	0	0	0	0	1,835,419
Unreserved Fund Balance	0	0	25,961	0	0	9,722,658
Total Fund Equity	0	0	25,961	0	0	12,487,541
Total Fund Balances/Retained Earnings and Other Credits	113,001	2,553	25,961	14,006,727	0	26,609,822
Total Liabilities, Fund Equity, and Other Credits	\$ 197,851	2,553	509,384	14,006,727	9,451,558	\$ 77,272,275

See Accompanying Notes to the General Purpose Financial Statements

Conneaut Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum) (Only)
REVENUES:						
Taxes	\$ 3,849,064	65,286	220,218	605,282	0	\$ 4,739,850
Tuition	19,010	0	0	0	0	19,010
Earnings on Investments	282,814	0	0	474,011	0	756,825
Extracurricular Activities	0	108,150	0	0	0	108,150
Classroom Materials and Fees	405	0	0	0	0	405
Miscellaneous	7,412	117,688	0	0	270	125,370
Revenue from Intermediate Sources						
Restricted Grants-in-Aid	0	0	0	0	27,254	27,254
Revenue from State Sources						
Unrestricted Grants-in-Aid	9,682,044	4,614	31,506	41,185	0	9,759,349
Restricted Grants-in-Aid	91,497	339,126	0	1,392,933	0	1,823,556
Revenue from Federal Sources						
Restricted Grants-in-Aid	0	1,535,864	0	0	0	1,535,864
Total Revenue	<u>13,932,246</u>	<u>2,170,728</u>	<u>251,724</u>	<u>2,513,411</u>	<u>27,524</u>	<u>18,895,633</u>
EXPENDITURES:						
Instruction:						
Regular Instruction	7,002,600	174,227	0	114,896	11,660	7,303,383
Special Instruction	990,578	768,524	0	0	0	1,759,102
Vocational Instruction	104,359	0	0	0	0	104,359
Other Instruction	90,747	100,776	0	0	0	191,523
Supporting Services:						
Support Services-Pupils	627,377	36,308	0	0	0	663,685
Support Services-Instructional Staff	651,452	382,305	0	18,257	0	1,052,014
Support Services-Board of Education	17,040	0	0	0	0	17,040
Support Services-Administration	1,366,419	23,540	0	0	0	1,389,959
Support Services-Fiscal Services	263,664	25,469	5,256	7,794	0	302,183
Support Services-Business	3,648	0	0	0	0	3,648
Support Services-Operation & Maintenance	1,206,745	0	0	0	0	1,206,745
Support Services-Pupil Transportation	758,777	12,421	0	0	0	771,198
Support Services-Central	1,794	19,090	0	0	0	20,884
Operation of Non-Instructional Services:						
Community Services	0	34,512	0	0	0	34,512
Extracurricular Activities:						
Academic & Subject Oriented	26,458	15,128	0	0	0	41,586
Occupation Oriented	650	0	0	0	0	650
Sports Oriented	200,903	89,538	0	0	0	290,441
Co-Curricular Activities	9,224	19,574	0	0	0	28,798
Capital Outlay:						
Site Acquisition	0	0	0	743,481	0	743,481
Architecture & Engineering	8,408	0	0	515,121	0	523,529
Other Facility Acquisition & Improvements	0	0	0	21,240	0	21,240
Debt Service:						
Repayment of Debt	0	0	375,627	6,785,229	0	7,160,856
Total Expenditures	<u>13,330,843</u>	<u>1,701,412</u>	<u>380,883</u>	<u>8,206,018</u>	<u>11,660</u>	<u>23,630,816</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	601,403	469,316	(129,159)	(5,692,607)	15,864	(4,735,183)
Other Financing Sources and Uses:						
Other Financing Sources						
Premium & Accrued Interest	0	0	0	23,643	0	23,643
Sale of Bonds	0	0	0	6,591,000	0	6,591,000
Sale & Loss of Assets	343	0	0	0	0	343
Proceeds from Sale of Notes	0	0	0	6,591,000	0	6,591,000
Transfers-In	0	36,684	0	290,000	0	326,684
Other Sources	90,010	24	0	0	0	90,034
Other Financing Uses						
Transfer-Out	(463,843)	0	0	0	0	(463,843)
Pass Through Payments	109	0	0	0	0	109
Other Uses	1,909	0	0	(4,000)	0	(2,091)
Net Other Financing Sources and Uses	<u>(371,472)</u>	<u>36,708</u>	<u>0</u>	<u>13,491,643</u>	<u>0</u>	<u>13,156,879</u>
Excess (Deficiency) of Revenues						
and Other Sources Over Expenditure						
Disbursement and Other Uses	229,931	506,024	(129,159)	7,799,036	15,864	8,421,696
Decrease in Inventory	108	0	0	0	0	108
Beginning Fund Balance	<u>3,065,162</u>	<u>(189,522)</u>	<u>608,875</u>	<u>571,125</u>	<u>10,097</u>	<u>4,065,737</u>
Ending Fund Balance	<u>\$ 3,295,201</u>	<u>316,502</u>	<u>479,716</u>	<u>8,370,161</u>	<u>25,961</u>	<u>\$ 12,487,541</u>

See Accompanying Notes to the General Purpose Financial Statements

Conneaut Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,603,829	3,643,709	39,880	0	36,324	\$ 36,324
Tuition	24,088	18,890	(5,198)	0	0	0
Earnings on Investment	240,000	276,648	36,648	0	0	0
Extracurricular Activities	0	0	0	51,800	107,400	55,600
Classroom Materials and Fees	305	405	100	0	0	0
Miscellaneous	10,620	7,493	(3,127)	124,250	117,759	(6,491)
Local Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	9,661,694	9,682,044	20,350	135,000	5,012	(129,988)
State Restricted Grants-in-Aid	118,413	91,497	(26,916)	401,343	339,126	(62,217)
Federal Unrestricted Grants-in-Aid	0	0	0	0	83,865	83,865
Federal Restricted Grants-in-Aid	0	0	0	1,469,128	1,027,864	(441,264)
Total Revenue	13,658,949	13,720,686	61,737	2,181,521	1,717,350	(464,171)
Expenditures:						
Regular Instruction	7,089,020	6,917,910	171,110	247,766	184,009	63,757
Special Instruction	988,796	984,722	4,074	850,896	730,840	120,056
Vocational Instruction	111,483	110,635	848	0	0	0
Other Instruction	97,309	94,783	2,526	152,704	108,631	44,073
Support Services-Pupils	622,768	611,358	11,410	83,696	58,074	25,622
Support Services-Instructional Staff	679,044	659,956	19,088	411,709	358,817	52,892
Support Services-Board of Education	24,567	10,745	13,822	0	0	0
Support Services-Administration	1,392,129	1,357,800	34,329	38,732	29,517	9,215
Fiscal Services	289,922	276,115	13,807	53,332	25,469	27,863
Support Services-Business	3,815	3,648	167	0	0	0
Operation & Maintenance-Plant	1,261,734	1,207,116	54,618	0	0	0
Support Services-Transportation	944,758	920,771	23,987	12,554	12,355	199
Support Services-Central	2,500	2,394	106	28,013	19,227	8,786
Community Services	0	0	0	40,566	39,681	885
Academic & Subject Oriented	28,945	28,683	262	27,483	14,728	12,755
Occupation Oriented	650	650	0	143	0	143
Sports Oriented	214,425	197,945	16,480	91,948	90,671	1,277
Co-Curricular Activities	10,165	8,429	1,736	21,967	19,574	2,393
Site Acquisition	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Architecture Engineering	8,600	8,408	192	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	13,770,630	13,402,068	368,562	2,061,509	1,691,593	369,916
Excess of Revenue Over (Under) Expenditures	(111,681)	318,618	430,299	120,012	25,757	(94,255)
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	0	0
Sale of Bonds	0	0	0	0	0	0
Sale & Loss of Assets	3	343	340	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	178,650	0	(178,650)	0	36,684	36,684
Advances-In	542,960	538,382	(4,578)	0	506,875	506,875
Refund of Prior Year Expenditures	(155,594)	89,885	245,479	0	0	0
Transfers-Out	(218,800)	(463,843)	(245,043)	0	0	0
Advances-Out	0	(506,875)	(506,875)	0	(402,996)	402,996
Other Miscellaneous Uses	1,500	1,621	121	0	0	0
Total Other Sources (Uses)	348,719	(340,487)	(689,206)	0	140,563	946,555
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	237,038	(21,869)	(258,907)	120,012	166,320	852,300
Beginning Fund Balance	2,516,744	2,516,744	--	225,324	225,324	--
Prior Year Carry Over Encumbrances	276,535	576,535	--	60,790	60,790	--
Ending Fund Balance	\$ 3,030,317	3,071,410	(258,907)	406,126	452,434	\$ 852,300

(Continued)

Conneaut Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 537,904	278,802	(259,102)	232,117	369,770	\$ 137,653
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	469,371	469,371
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials and Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	21,000	31,506	10,506	8,000	41,185	33,185
State Restricted Grants-in-Aid	0	0	0	2,396,848	1,384,933	(1,011,915)
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	558,904	310,308	(248,596)	2,636,965	2,265,259	(371,706)
Expenditures:						
Regular Instruction	0	0	0	153,219	132,268	20,951
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	25,073	18,728	6,345
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	5,500	5,255	245	7,810	7,794	16
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 Acquisition	0	0	0	751,472	743,481	7,991
Site Improvement	0	0	0	8,413	8,177	236
Architecture Engineering	0	0	0	2,254,923	1,024,578	1,230,345
Building Acquisition & Construction	0	0	0	18,056	18,056	0
Building Improvement	0	0	0	69,184	3,184	66,000
Repayment of Debt	376,975	376,227	748	6,785,229	6,785,229	0
Total Expenditures	382,475	381,482	993	10,073,379	8,741,495	1,331,884
Excess of Revenue Over (Under) Expenditures	176,429	(71,174)	(247,603)	(7,436,414)	(6,476,236)	960,178
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	23,643	23,643
Sale of Bonds	0	0	0	6,594,150	6,591,000	(3,150)
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	6,591,000	6,591,000
Transfers-In	91,100	0	(91,100)	0	290,000	290,000
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	(16,848)	(16,848)
Other Miscellaneous Uses	0	0	0	0	4,000	4,000
Total Other Sources (Uses)	91,100	0	(91,100)	6,594,150	13,482,795	6,888,645
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	267,529	(71,174)	(338,703)	(842,264)	7,006,559	7,848,823
Beginning Fund Balance	474,087	474,087	--	538,865	538,865	--
Prior Year Carry Over Encumbrances	900	900	--	24,947	24,947	--
Ending Fund Balance	\$ 742,516	403,813	(338,703)	(278,452)	7,570,371	\$ 7,848,823

(Continued)

Conneaut Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2001

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	4,373,850	4,328,605	\$ (45,245)
Tuition	0	0	0	24,088	18,890	(5,198)
Earnings on Investment	0	0	0	240,000	746,019	506,019
Extracurricular Activities	0	0	0	51,800	107,400	55,600
Classroom Materials and Fees	0	0	0	305	405	100
Miscellaneous	0	270	270	134,870	125,522	(9,348)
Local Restricted Grants-in-Aid	5,104	27,254	22,150	5,104	27,254	22,150
State Unrestricted Grants-in-Aid	0	0	0	9,825,694	9,759,747	(65,947)
State Restricted Grants-in-Aid	0	0	0	2,916,604	1,815,556	(1,101,048)
Federal Unrestricted Grants-in-Aid	0	0	0	0	83,865	83,865
Federal Restricted Grants-in-Aid	0	0	0	1,469,128	1,027,864	(441,264)
Total Revenue	5,104	27,524	22,420	19,041,443	18,041,127	(1,000,316)
Expenditures:						
Regular Instruction	33,826	11,545	22,281	7,523,831	7,245,732	278,099
Special Instruction	0	0	0	1,839,692	1,715,562	124,130
Vocational Instruction	0	0	0	111,483	110,635	848
Adult/continuing Instruction	0	0	0	250,013	203,414	46,599
Support Services-Pupils	0	0	0	706,464	669,432	37,032
Support Services-Instructional Staff	0	0	0	1,115,826	1,037,501	78,325
Support Services-Board of Education	0	0	0	24,567	10,745	13,822
Support Services-Administration	0	0	0	1,430,861	1,387,317	43,544
Fiscal Services	0	0	0	356,564	314,633	41,931
Support Services-Business	0	0	0	3,815	3,648	167
Operation & Maintenance-Plant	0	0	0	1,261,734	1,207,116	54,618
Support Services-Transportation	0	0	0	957,312	933,126	24,186
Support Services-Central	0	0	0	30,513	21,621	8,892
Food Services Operations	0	0	0	40,566	39,681	885
Academic & Subject Oriented	0	0	0	56,428	43,411	13,017
Occupation Oriented	0	0	0	793	650	143
Sports Oriented	0	0	0	306,373	288,616	17,757
Co-Curricular Activities	0	0	0	32,132	28,003	4,129
Site Acquisition	0	0	0	751,472	743,481	7,991
Site Improvement	0	0	0	8,413	8,177	236
Architecture Engineering	0	0	0	2,263,523	1,032,986	1,230,537
Building Acquisition & Construction	0	0	0	18,056	18,056	0
Building Improvement	0	0	0	69,184	3,184	66,000
Repayment of Debt	0	0	0	7,162,204	7,161,456	748
Total Expenditures	33,826	11,545	22,281	26,321,819	24,228,183	2,093,636
Excess of Revenue Over (Under) Expenditures	(28,722)	15,979	44,701	(7,280,376)	(6,187,056)	1,093,320
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	23,643	23,643
Sale of Bonds	0	0	0	6,594,150	6,591,000	(3,150)
Sale & Loss of Assets	0	0	0	3	343	340
Proceeds from Sale of Notes	0	0	0	0	6,591,000	6,591,000
Transfers-In	0	0	0	269,750	326,684	56,934
Advances-In	0	0	0	542,960	1,045,257	502,297
Refund of Prior Year Expenditures	0	0	0	(155,594)	89,885	245,479
Transfers-Out	0	0	0	(218,800)	(463,843)	(245,043)
Advances-Out	0	0	0	0	(926,719)	(926,719)
Other Miscellaneous Uses	0	0	0	1,500	5,621	4,121
Total Other Sources (Uses)	0	0	0	7,033,969	13,282,871	6,248,902
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(28,722)	15,979	44,701	(246,407)	7,095,815	7,342,222
Beginning Fund Balance	10,032	10,032	--	3,765,052	3,765,052	--
Prior Year Carry Over Encumbrances	65	65	--	363,237	363,237	--
Ending Fund Balance	\$ (18,625)	26,076	44,701	3,881,882	11,224,104	\$ 7,342,222

See Accompanying Notes to the General Purpose Financial Statements

Conneaut Area City School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2001

	Proprietary Fund Types		
	Enterprise Funds	Internal Service Funds	Totals (Memorandum) (Only)
Operating Revenues:			
Food Service	\$ 245,774	0	\$ 245,774
Classroom Materials & Fees	7,602	0	7,602
Miscellaneous	<u>0</u>	<u>582</u>	<u>582</u>
Total Operating Revenue	253,376	582	253,958
Operating Expenses:			
Personal Services - Salary	230,061	0	230,061
Employee Benefits	91,452	0	91,452
Purchased Services	3,198	0	3,198
Supplies and Materials	331,962	0	331,962
Other Expenses	362	0	362
Depreciation	<u>12,551</u>	<u>0</u>	<u>12,551</u>
Total Operating Expenses	<u>669,586</u>	<u>0</u>	<u>669,586</u>
Operating Income (Loss)	(416,210)	582	(415,628)
Non-Operating Revenues:			
State Unrestricted Grants-In-Aid	19,773	0	19,773
Federal Unrestricted Grants-In-Aid	306,901	0	306,901
Federal Restricted Grants-in-Aid	50,195	0	50,195
Refund of Prior Years Expenses	<u>96</u>	<u>0</u>	<u>96</u>
Total Non-Operating Revenues	376,965	0	376,965
Net Income (Loss) Before			
Operating Transfers	(39,245)	582	(38,663)
Transfers-In			
	<u>137,159</u>	<u>0</u>	<u>137,159</u>
Total Transfers	137,159	0	137,159
Net Income			
	97,914	582	98,496
Beginning Retained Earnings	<u>15,087</u>	<u>1,971</u>	<u>17,058</u>
Retained Earnings at End of Year	<u>\$ 113,001</u>	<u>2,553</u>	<u>\$ 115,554</u>

See Accompanying Notes to the General Purpose Financial Statements

Conneaut Area City School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types
Year Ended June 30, 2001

	Proprietary Fund Types		Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	
Cash Flows from Operating Activities			
Operating Gain (Loss)	\$ (416,210)	582	\$ (415,628)
Adjustment to Reconcile Operating Gain (Loss)			
To Net Cash used in Operating Activities:			
Commodities Used	50,195	0	50,195
Depreciation	12,551	0	12,551
Net (Increase) Decrease in Assets:			
Accounts Receivable	11,505	0	11,505
Inventory	(1,727)	0	(1,727)
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	10,242	0	10,242
Due to Other Governments	151	0	151
Accounts Payable	2,004	0	2,004
Accrued Salaries and Benefits	12,675	0	12,675
Deferred Revenue	(2,298)	0	(2,298)
Compensated Absences	(7,257)	0	(7,257)
Total Adjustments	88,041	0	88,041
Net Cash Used in Operating Activities	(328,169)	582	(327,587)
Cash Flows from Noncapital Activities:			
Miscellaneous	96	0	96
Return of Advances to Other Funds	(118,537)	0	(118,537)
Transfers in from Other Funds	137,159	0	137,159
Operating Grants from State Sources	19,773	0	19,773
Operating Grants from Federal Sources	322,779	0	322,779
Net Cash Provided by Noncapital Financing Sources	361,270	0	361,270
Net Increase (Decrease) in Cash & Cash Equivalents	33,101	582	33,683
Cash and Cash Equivalents at Beginning of Year	25,473	1,971	27,444
Cash and Cash Equivalents at End of Year	\$ 58,574	2,553	\$ 61,127
See Accompanying Notes to General Purpose Financial Statements			

This page intentionally left blank

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

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, 2000, was 2,468. The District employed 176 certified employees and 102 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 acquisition 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 No. 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 District 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 also may 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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.

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.

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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
 - 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, 2001 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2002 operations, have been recorded as deferred revenues.
- 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 expenditure 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 20th 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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."

The major differences between the budgetary basis of accounting and GAAP basis 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);
- 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 basis).

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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, State Treasury Asset Reserve of Ohio (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.

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, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General and Capital Projects Funds as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$756,825; General Fund, \$282,814 and Capital Projects Fund, \$474,011.

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2001. 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, 2001 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 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds

SchoolNet Funding
Technology Equity
Emergency School Repair

Non-Reimbursable Grants:

Special Revenue Funds

Title I
Title VI
Title VI-B
Title VI-R
Local Professional Block Grants
Pre School Grants
Drug Free School Grants
Eisenhower Grants
Goals 2000
DPIA
Ohio Reads
Gifted Identification
Miscellaneous State and Federal Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement
CAFS

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 69.5% of the District's operating revenue during the 2001 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, 2001, the District had \$282,017 in "Due to/from Other Funds" and \$532,622 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, 2001 the District had no long-term interfund loans.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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; and 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 expensed 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, 2001, 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 textbooks. 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 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 purpose 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP basis 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 Projects
GAAP Basis	\$ 229,931	506,024	(129,159)	\$ 7,799,036
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(211,560)	(453,378)	58,584	(248,152)
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(71,225)	9,819	(599)	(535,477)
Due to Other Sources/Uses	30,985	103,855	0	(8,848)
Budget Basis	<u>\$ (21,869)</u>	<u>166,320</u>	<u>(71,174)</u>	<u>\$ 7,006,559</u>

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 the application of GASB 33 had an effect on the recognition of Intergovernmental Receivables (assets) and Deferred Revenue (liabilities) of the Capital Project fund on the Balance Sheet. No restatement of fund balances occurred.

4. 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.

5. CASH AND INVESTMENTS

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

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

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. 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.

Monies 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 monies available for investment at any one time.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. CASH AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$2,797,782 and the bank balance was \$3,145,047, of which \$3,098,305 was in Certificates of Deposit. All of the remaining bank balance, \$46,742, 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	6,099,061	\$ 6,099,061
Certificates of Deposit	0	0	3,000,000	3,000,000	3,000,000
Repurchase Agreements	0	0	519,317	519,317	519,317
Total Investments	<u>\$ 0</u>	<u>0</u>	<u>3,519,317</u>	<u>9,618,378</u>	<u>\$ 9,618,378</u>

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*.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. CASH AND INVESTMENTS (CONTINUED)

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	\$ 12,416,740	\$ 0
Investments:		
Repurchase Agreements	(519,317)	519,317
Certificates of Deposit	(3,000,000)	3,000,000
STAR Ohio	(6,099,061)	6,099,061
Petty Cash	(580)	0
Total - GASB Statement No. 3	\$ 2,797,782	\$ 9,618,378

6. 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 was 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 and the Ashtabula County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. PROPERTY TAX (CONTINUED)

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, 2001 for operations was \$39.49 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	23,524,360
Real Property-Residential/Agricultural		101,626,630
Real Property-Public Utilities		1,083,090
Personal Property-General		19,216,180
Personal Property-Public Utilities		13,441,350
Total Assessed Value	<u>\$</u>	<u>158,891,610</u>

7. RECEIVABLES

Receivables at June 30, 2001 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:		
CAFS Reimbursement	\$	12,311
Title I		340,764
Title II		12,033
Title VI		3,819
Title VI-B		100,900
Title VI-R		45,708
Drug Free		7,469
Total Special Revenue Fund		<u>523,004</u>
Capital Projects Fund:		
Ohio School Facilities Grant		<u>35,285,576</u>
Total Capital Projects Fund		35,285,576
Proprietary Fund:		
Federal Lunchroom Grants		<u>43,900</u>
Total Proprietary Fund		<u>43,900</u>
Grand Total	<u>\$</u>	<u>35,852,480</u>

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 310,250
Less Accumulated Depreciation	<u>(226,441)</u>
Net Fixed Assets	<u><u>\$ 83,809</u></u>

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 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 927,373	759,539	0	\$ 1,686,912
Buildings	7,034,610	511,996	0	7,546,606
Furniture and Equipment	3,603,016	167,415	6,747	3,763,684
Vehicles	881,637	156,383	28,495	1,009,525
Total General Fixed Assets	<u><u>\$ 12,446,636</u></u>	<u><u>1,595,333</u></u>	<u><u>35,242</u></u>	<u><u>\$ 14,006,727</u></u>

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2001, 2000, and 1999 were \$318,576, \$296,052 and \$273,360 respectively; 45.57 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$190,276 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used 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, 2001, 2000, and 1999 were \$1,140,552, \$1,107,384 and \$1,018,584, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$190,091 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

10. 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 non-certificated 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 cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$366,606 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$253,992.

The surcharge, 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. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

11. 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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. COMPENSATED ABSENCES (CONTINUED)

The classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
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 both certified and classified employees is 300 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 55 days for both certified and classified employees.

12. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 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 at \$34,401,273 and contents at \$5,971,829.

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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT (CONTINUED)

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 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.

13. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30,2001
General Obligation Bonds Payable	\$ 1,330,000	6,590,895	190,000	\$ 7,730,895
Energy Notes Payable	300,000	0	75,000	225,000
Asbestos Notes Payable	35,140	0	5,406	29,734
Intergovernmental Payable	113,608	113,910	113,608	113,910
Compensated Absences Payable	1,235,675	116,344	0	1,352,019
	<u>\$ 3,014,423</u>	<u>6,821,149</u>	<u>384,014</u>	<u>\$ 9,451,558</u>

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

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. NOTES AND LONG-TERM DEBT (CONTINUED)

General Obligation Bonds:

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 percent 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, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 190,000	77,069	\$ 267,069
FY2003	190,000	63,056	253,056
FY2004	190,000	49,044	239,044
FY2005	190,000	35,031	225,031
FY2006 & Thereafter	380,000	28,025	408,025
	<u>\$1,140,000</u>	<u>252,225</u>	<u>\$1,392,225</u>

Classroom Facilities Improvement Bonds:

In 2001 bonds were issued in the amount of \$6,590,895 for the purpose of constructing, renovating and equipping District facilities. The bonds will be repaid over 23 years at an interest rate of 5.125 percent. These bonds mature in December, 2023, 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, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 205,000	440,936	\$ 645,936
FY2003	195,000	292,206	487,206
FY2004	205,000	283,855	488,855
FY2005	215,000	274,981	489,981
FY2006 & Thereafter	5,770,895	3,472,850	9,243,745
	<u>\$ 6,590,895</u>	<u>4,764,828</u>	<u>\$ 11,355,723</u>

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

13. 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 percent. The annual maturities of the notes as of June 30, 2001, and related interest payments are as follows:

	Principal	Interest	Payment
FY2002	\$ 75,000	9,563	\$ 84,563
FY2003	75,000	5,737	80,737
FY2004	75,000	1,912	76,912
	<u>\$ 225,000</u>	<u>17,212</u>	<u>\$ 242,212</u>

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, 2001, as follows:

	Payment
FY2002	\$ 5,406
FY2003	5,406
FY2004	5,406
FY2005	5,406
FY2006 & Thereafter	8,110
	<u>\$ 29,734</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 percent 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 percent of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$158,892. The voted debt limit at June 30, 2001 is \$14,300,245.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. INTERFUND TRANSACTIONS

At June 30, 2001, 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	\$ 532,622	\$ 0
General Fund/Fees	0	21,169
Special Revenue Funds	0	511,453
	<u>\$ 532,622</u>	<u>\$ 532,622</u>

Due To/From Other Funds:

	Due to Other Funds	Due From Other Funds
General Fund	\$ 216,334	\$ 0
Special Revenue Funds	31,228	0
Enterprise Funds	34,455	0
Agency Funds	0	282,017
	<u>\$ 282,017</u>	<u>\$ 282,017</u>

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 245,774	7,602	\$ 253,376
Operating Expenses:			
Depreciation	(12,551)	0	(12,551)
Other Expenses	(638,105)	(18,930)	(657,035)
Total Operating Expenses	<u>(650,656)</u>	<u>(18,930)</u>	<u>(669,586)</u>
Operating Loss/Gain	(404,882)	(11,328)	(416,210)
Non Operating Revenues and Expenses:			
Miscellaneous	96	0	96
Transfers In/Out	122,159	15,000	137,159
Operating Grants	376,869	0	376,869
Net Income	<u>\$ 94,242</u>	<u>3,672</u>	<u>\$ 97,914</u>
Net Working Capital	<u>\$ 15,457</u>	<u>3,735</u>	<u>\$ 19,192</u>
Total Assets	<u>\$ 191,249</u>	<u>6,602</u>	<u>\$ 197,851</u>
Total Fund Equity	<u>\$ 109,266</u>	<u>3,735</u>	<u>\$ 113,001</u>

16. JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network- (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 on 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 2001. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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.

17. 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, 2001.

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, 2001.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

18. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

19. 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, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Set-Aside Cash Balance, 7/1/2000	\$ 0	\$ 0	\$ 290,000	\$ 290,000
Current Year Required Set Aside	303,521	303,521	0	607,042
Current Year Offset Credits	0	(76,847)	0	(76,847)
Qualifying Disbursements	(154,648)	(251,987)	(290,000)	(696,635)
Total	<u>\$ 148,873</u>	<u>\$ (25,313)</u>	<u>\$ 0</u>	<u>\$ 123,560</u>
Cash Balance Carried Forward to FY2002	<u>\$ 148,873</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,873</u>

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. STATUTORY RESERVES (CONTINUED)

Although the District had 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, 2001, follows:

Amount Restricted for Textbooks	<u>\$ 148,873</u>
Total Restricted Assets	<u><u>\$ 148,873</u></u>

20. FUND DEFICITS

Fund balances at June 30, 2001, included the following funds had deficit balances:

Special Revenue Funds:

DPIA	<u>\$ (24,720)</u>
Title VI-B	<u>\$ (10,312)</u>
Title I	<u><u>\$ (18,100)</u></u>

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

CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

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>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	-	\$47,895	-	\$50,430
School Breakfast Program	05-PU 99 05-PU-00 05-PU 01	10.553	\$585 18,705 37,655	- - -	\$585 18,705 37,655	- - -
Subtotal -- School Breakfast Program			56,945	-	56,945	-
National School Lunch Program	LL-P1-00 LL-P4-00 LL-P1-01 LL-P4-01	10.555	71,108 14,964 154,662 28,581	- - - -	71,108 14,964 154,662 28,581	- - - -
Subtotal -- National School Lunch Program			269,315	-	269,315	-
Total U.S. Department of Agriculture -- Nutrition Cluster			\$326,260	\$47,895	\$326,260	\$50,430
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 99 C1-S1 00 C1-S1 01	84.010	\$102,206 167,904 340,765	- - -	\$0 18,216 582,702	- - -
Total -- Title I School Subsidy			610,875	-	600,918	-
Special Education Cluster:						
Special Education Grants to States						
Title VI-B Handicapped Flowthrough	6B-SF 00 P 6B-SF 01 P	84.027	113,520 100,899	- -	27,028 175,315	- -
Subtotal -- Title VI-B Handicapped Flowthrough			214,419	-	202,343	-
Special Education - Preschool Grant	PG-S1 00 P PG-S1 01 P	84.173	0 20,845	- -	1,621 16,858	- -
Subtotal -- Preschool Grant			20,845	-	18,479	-
Total -- Special Education Cluster			235,264	-	220,822	-
Eisenhower Professional Development State Grant						
Math and Science -- Subsidy	MS-S1 00 MS-S1 01 MS-S1 02	84.281	(2,662) 13,422 0	- - -	13,625 1,761 12,003	- - -
Total -- Math and Science Subsidy			10,760	-	27,389	-
Safe and Drug Free School and Communities						
Drug Free Education -- Subsidy	DR-S1 00 DR-S1 01	84.186	2,796 3,201	- -	3,179 7,172	- -
Total -- Drug Free Education Subsidy			5,997	-	10,351	-
Innovative Education Program Strategies						
Chapter 2 -- Subsidy	CS-S1 98 CS-S1 99 CS-S1 00	84.298	\$1,737 9,219 6,367	- - -	2,005 1,525 4,284	- - -
Total -- Chapter 2 Subsidy			17,323	-	7,814	-
Class Size Reduction Subsidy	CR-S1-00 CR-S1-01	84.340	59,541 45,657	- -	15,478 72,722	- -
Total -- Class Size Reduction Subsidy			105,198	-	88,200	-
Goals 2000 Subsidy	G2-S1-00 P G2-S1-01 P	84.276	21,000 14,000	- -	20,662 1,650	- -
Total -- Class Size Reduction Subsidy			35,000	-	22,312	-
<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	3,131	-	3,093	-
Total -- U.S. Department of Education			\$1,023,548	-	\$980,899	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through The Ohio Department of Education:</i>						
Medicaid - CAFS	N/A	93.778	83,865	-	83,865	-
Totals			\$1,433,673	\$47,895	\$1,391,024	\$50,430

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

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2001**

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, 2001, had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

**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 financial statements of Conneaut Area City School District as of and for the year ended June 30 2001, and have issued our report thereon dated December 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Conneaut Area City School District's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Conneaut Area City 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 December 18, 2001.

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

This report is intended for the information and use of the audit committee, 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

December 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

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, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2001.

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 Conneaut Area City 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. However we noted one matter involving the internal control over federal compliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 18, 2001.

This report is intended for the information and use of the audit committee, 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

December 18, 2001

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)()i	Type of Financial Statement opinion	Unqualified
(d)(1)ii	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)ii	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)iii	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)iv	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)iv	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)v	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)vi	Are there any reportable findings under § .510?	No
(d)(1)vii	Major Programs (list):	Title I CFDA: 84.010 and Special Education Cluster CFDA: 84.027 & 84.173
(d)(1)viii	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)ix	Low Risk Auditee?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

This page intentionally left blank.

**CONNEAUT AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-11104-001	Appropriation's exceeded estimated revenue	Partially	The District has made progress in correcting this, and the variances were deemed immaterial for this audit. Will repeat citation in Management Letter.
2000-11104-002	Student Activity procedures were not being followed by advisors	Partially	Improvement was made, was repeated in Management Letter
2000-11104-003	Failure on the filing of free and reduced reports to the State Department of Education in a timely manner	Corrected	



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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 8, 2002**