

# **Ashtabula Area City School District**

**Basic Financial Statements  
June 30, 2012**





# Dave Yost • Auditor of State

Board of Education  
Ashtabula Area City School District  
2630 West 13th Street  
Ashtabula, Ohio 44004

We have reviewed the *Independent Auditor's Report* of the Ashtabula Area City School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 4, 2013

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# Ashtabula Area City School District

For the Fiscal Year Ended June 30, 2012

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# Ashtabula Area City School District

For the Fiscal Year Ended June 30, 2012

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## Independent Auditor's Report

Board of Education  
Ashtabula Area City School District  
Ashtabula, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Ashtabula Area City School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Cini & Panichi, Inc.*

Cleveland, Ohio  
December 27, 2012

# Ashtabula Area City School District

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2012

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The discussion and analysis of the Ashtabula Area City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### Financial Highlights

Key financial highlights for the fiscal year 2012 are as follows:

- Total net assets of governmental activities increased \$5,289,587, which represents a 5.85 percent increase from 2011.
- Total general revenues equaled \$51,709,566 or 90 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$5,544,632 or 10 percent of total revenues.
- Total assets of governmental activities decreased by \$222,987, primarily due to decreases in intergovernmental receivable balances from the prior year.
- The District had \$51,964,612 in expenses related to governmental activities; \$5,544,632 of these expenses was offset by program specific charges for services, operating grants and contributions.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$12,240,139, or a decrease of \$7,886,342 in comparison with the prior year.
- Outstanding debt was decreased from a balance of \$35,683,699 in 2011 to \$34,379,958 in 2012; and the accretion balance on the capital asset appreciation bonds decreased from \$258,383 to \$142,599.

### Using this Annual Financial Report

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

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

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

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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## ***Reporting the District as a Whole***

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

### *Fund Financial Statements*

The presentation of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, permanent improvement fund, the construction fund, and the classroom facilities fund.

***Governmental Funds:*** Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method known as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets and the Statement of Activities*) and governmental funds is reconciled in the financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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### The District as a Whole

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

Table 1 provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011:

	Net Assets	
	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Current assets	\$ 34,345,141	\$ 45,680,850
Capital assets	<u>112,396,911</u>	<u>101,284,189</u>
Total assets	<u>146,742,052</u>	<u>146,965,039</u>
Liabilities:		
Current liabilities	13,267,394	17,305,890
Long term liabilities:		
Due within one year	2,553,808	2,346,449
Due in more than one year	<u>35,282,951</u>	<u>36,964,387</u>
Total liabilities	<u>51,104,153</u>	<u>56,616,726</u>
Net assets:		
Invested in capital assets, net of debt	77,361,813	65,264,297
Restricted	13,035,632	20,699,429
Unrestricted	<u>5,240,454</u>	<u>4,384,587</u>
Total net assets	\$ <u>95,637,899</u>	\$ <u>90,348,313</u>

Total assets decreased by \$222,987 due to decreases in intergovernmental receivables balances from the prior year.

Total liabilities decreased \$5,512,573 primarily due to construction invoices related to the new school facilities. In order to further understand what makes up the changes in net assets for the current and previous year, the following table gives readers further details regarding the results of activities for each year.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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### Changes in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program revenues:		
Charges for services	\$ 959,952	\$ 862,455
Operating grants and contributions	<u>4,584,680</u>	<u>6,854,340</u>
Total program revenues	<u>5,544,632</u>	<u>7,716,795</u>
General revenues:		
Property taxes	13,727,523	13,744,983
Grants and entitlements	37,656,915	56,749,768
Investment earnings	11,141	55,452
Miscellaneous revenue	309,688	321,666
Gain (loss) on sale of assets	<u>4,299</u>	<u>14,251</u>
Total general revenues	<u>51,709,566</u>	<u>70,886,120</u>
Total revenues	<u>57,254,198</u>	<u>78,602,915</u>
Program expenses:		
Instruction:		
Regular education	18,969,903	23,069,612
Special education	6,790,531	7,216,120
Vocational education	199,667	221,272
Other	549,195	1,340,118
Support services	15,037,829	15,666,384
Operation of non-instructional services	1,832,135	1,687,771
Extracurricular activities	614,952	859,464
Facilities acquisition and construction	6,628,906	2,128,045
Interest and fiscal charges	<u>1,341,494</u>	<u>1,675,593</u>
Total program expenses	<u>51,964,612</u>	<u>53,864,379</u>
Change in net assets	5,289,586	24,738,536
Net assets at beginning of year	<u>90,348,313</u>	<u>65,609,777</u>
Net assets at end of year	\$ <u>95,637,899</u>	\$ <u>90,348,313</u>

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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## ***Governmental Activities***

Net assets of the District's governmental activities increased by \$5,289,587. Program revenues of \$5,544,632 and general revenues of \$51,709,566 were sufficient to offset total governmental expenses of \$51,964,612. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

The primary sources of revenue for governmental activities are derived from property taxes, operating grants, and grants and entitlements. These revenue sources represent 89.75 percent of total governmental revenue.

Instruction and support services comprise 51.01 and 28.94 percent of governmental program expenses, respectively. Interest expense was 2.58 percent of total expenses. Interest expense was attributable to the outstanding bonds and notes for various projects. Overall, governmental program expenses decreased \$1,899,767, mainly due to a decrease in instructional staff.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

### **Governmental Activities**

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Program expenses:				
Instruction	\$ 26,509,296	\$ 22,094,552	\$ 31,847,122	\$ 24,934,314
Support services:				
Pupil	1,935,577	1,935,577	1,826,799	1,826,799
Instructional staff	2,945,342	2,945,342	3,060,758	3,060,758
Board of education	180,149	180,149	175,024	175,024
Administration	2,421,509	2,421,509	2,509,908	2,509,908
Fiscal	816,274	816,274	812,945	812,945
Business	601,225	601,225	528,679	528,679
Operation and maintenance of plant	3,569,860	3,487,407	3,802,918	3,720,465
Pupil transportation	2,422,929	2,391,629	2,776,058	2,723,983
Central	144,964	130,564	173,295	150,095
Operation of non-instructional services	1,832,135	1,176,622	1,687,771	1,235,331
Extracurricular activities	614,952	268,730	859,464	665,645
Facilities acquisition and construction	6,628,906	6,628,906	2,128,045	2,128,045
Interest and fiscal charges	1,341,494	1,341,494	1,675,593	1,675,593
Total expenses	\$ <u>51,964,612</u>	\$ <u>46,419,980</u>	\$ <u>53,864,379</u>	\$ <u>46,147,584</u>

The dependence upon tax and grant entitlements revenues during fiscal year 2012 for governmental activities is apparent, as 89.75 percent of 2012 governmental activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, provide substantial financial support through real estate property taxes for the District and its students.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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## The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$57,859,586, expenditures of \$66,386,879, and net other financing sources and uses of \$640,951. The net change in fund balance for the year was most significant in the Classroom Facilities Fund, where the fund balance decreased by \$7,886,342 due to payments made towards the new school construction projects.

## General Fund Budget Information

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

During the course of fiscal 2012, the District amended its general fund budget periodically as defined by individual team needs.

## Capital Assets

At the end of fiscal 2012 the District had \$112,396,911 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2012 balances compared to 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 1,094,921	\$ 843,578
Construction in progress	20,131,499	38,609,573
Land improvements	528,023	306,628
Buildings	87,960,017	59,629,803
Furniture and equipment	1,355,438	364,704
Vehicles	<u>1,327,013</u>	<u>1,529,903</u>
Totals	\$ <u>112,396,911</u>	\$ <u>101,284,189</u>

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

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

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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## Debt

At June 30, 2012, the District had bonds outstanding. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
General obligation bonds:		
Serial bonds	\$ 34,025,000	\$ 35,475,000
Capital appreciation bonds	354,958	208,699
Accretion on capital appreciation bonds	<u>142,599</u>	<u>258,383</u>
Total	\$ <u>34,522,557</u>	\$ <u>35,942,082</u>

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

## Current Financial Related Activities

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

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

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

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

## **Ashtabula Area City School District**

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

For the Fiscal Year Ended June 30, 2012

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The first school to be built was the new high school located on Sanborn Road in Saybrook Township. The new building, stadium, and other athletic fields were put into service at the end of August, 2007. Construction work on the new junior high school began in early 2007 and was put into service at the end of August 2009. Construction on the elementary buildings began in August 2009 and was put into service at the end of August 2011.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 2630 West 13<sup>th</sup> Street, Ashtabula, Ohio 44004, or telephone (440) 992-1200.

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# Ashtabula Area City School District

## Statement of Net Assets

June 30, 2012

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	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 14,606,225
Restricted cash	4,117,483
Accounts receivable	15,343
Intergovernmental receivable	1,775,385
Materials and supplies inventory	119,438
Property taxes receivable	13,366,727
Unamortized bond issuance costs	344,540
Non-depreciable capital assets	21,226,420
Depreciable capital assets, net	<u>91,170,491</u>
Total assets	<u>146,742,052</u>
Liabilities:	
Accounts payable	1,619,468
Accrued wages and benefits	2,951,331
Accrued interest payable	92,026
Matured compensated absences payable	80,573
Intergovernmental payable	1,661,994
Claims payable	1,092,700
Retainage payable	543,239
Deferred revenue	5,226,063
Long-term liabilities:	
Due within one year	2,553,808
Due in more than one year	<u>35,282,951</u>
Total liabilities	<u>51,104,153</u>
Net assets:	
Invested in capital assets, net of related debt	77,361,813
Restricted for:	
Capital projects	5,562,901
Debt service	4,751,012
Other purposes	2,721,719
Unrestricted	<u>5,240,454</u>
Total net assets	<u>\$ 95,637,899</u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Statement of Activities

For the Fiscal Year Ended June 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular education	\$ 18,969,903	\$ 320,141	\$ 997,579	\$ (17,652,183)
Special education	6,790,531	-	3,097,024	(3,693,507)
Vocational education	199,667	-	-	(199,667)
Other instruction	549,195	-	-	(549,195)
Support services:				
Pupil	1,935,577	-	-	(1,935,577)
Instructional staff	2,945,342	-	-	(2,945,342)
Board of education	180,149	-	-	(180,149)
Administration	2,421,509	-	-	(2,421,509)
Fiscal	816,274	-	-	(816,274)
Business	601,225	-	-	(601,225)
Operation and maintenance of plant	3,569,860	-	82,453	(3,487,407)
Pupil transportation	2,422,929	31,300	-	(2,391,629)
Central	144,964	-	14,400	(130,564)
Operation of non-instructional services:				
Food service operations	1,832,135	424,275	231,238	(1,176,622)
Extracurricular activities	614,952	184,236	161,986	(268,730)
Facilities acquisitions and construction services	6,628,906	-	-	(6,628,906)
Interest and fiscal charges	1,341,494	-	-	(1,341,494)
Total governmental activities	<u>\$ 51,964,612</u>	<u>\$ 959,952</u>	<u>\$ 4,584,680</u>	<u>\$ (46,419,980)</u>

### General revenues:

#### Property taxes levies for:

General purpose	9,469,115
Debt service	2,835,869
Capital outlay	1,269,601
Capital maintenance	152,938

Grant and entitlements not restricted to specific programs 26,798,814

Grant from school facilities commission for capital construction 10,858,101

Investment earnings 11,141

Miscellaneous revenue 309,688

Gain on sale of assets 4,299

Total general revenues 51,709,566

Change in net assets 5,289,586

Net assets at beginning of year 90,348,313

Net assets at end of year \$ 95,637,899

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Balance Sheet Governmental Funds

June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 662,396	\$ 3,260,239	\$ 2,397,372	\$ -
Restricted cash	-	-	-	850,871
Taxes receivable	9,234,748	2,736,323	1,209,318	-
Accounts receivable	15,343	-	-	-
Intergovernmental receivable	-	-	-	-
Interfund receivable	408,061	-	-	-
Materials and supplies inventory	75,572	-	-	-
Total assets	<u>\$ 10,396,120</u>	<u>\$ 5,996,562</u>	<u>\$ 3,606,690</u>	<u>\$ 850,871</u>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 196,066	\$ -	\$ 51,390	\$ 329,092
Accrued wages and benefits	2,570,595	-	-	-
Accrued compensated absences	80,573	-	-	-
Intergovernmental payable	1,357,271	-	-	-
Interfund payable	-	-	-	-
Deferred revenue	5,393,222	1,587,033	714,245	-
Retainage payable	-	-	-	167,867
Total liabilities	<u>9,597,727</u>	<u>1,587,033</u>	<u>765,635</u>	<u>496,959</u>
<b>Fund balances:</b>				
Nonspendable	75,571	-	-	-
Restricted	11,000	4,409,529	2,841,055	353,912
Committed	-	-	-	-
Assigned	171,771	-	-	-
Unassigned	540,051	-	-	-
Total fund balances	<u>798,393</u>	<u>4,409,529</u>	<u>2,841,055</u>	<u>353,912</u>
Total liabilities and fund balances	<u>\$ 10,396,120</u>	<u>\$ 5,996,562</u>	<u>\$ 3,606,690</u>	<u>\$ 850,871</u>

The accompanying notes are an integral part of these financial statements.

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<u>Classroom Facilities Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,458,536	\$ 8,778,543
3,266,612	-	4,117,483
-	186,338	13,366,727
-	-	15,343
88,925	1,686,460	1,775,385
-	-	408,061
-	43,866	119,438
\$ <u>3,355,537</u>	\$ <u>4,375,200</u>	\$ <u>28,580,980</u>
\$ 916,756	\$ 126,164	\$ 1,619,468
-	380,736	2,951,331
-	-	80,573
-	188,711	1,545,982
6,803	401,258	408,061
-	1,497,688	9,192,188
<u>375,372</u>	<u>-</u>	<u>543,239</u>
<u>1,298,931</u>	<u>2,594,557</u>	<u>16,340,842</u>
-	43,866	119,437
2,056,606	2,478,517	12,150,619
-	69,389	69,389
-	-	171,771
-	(811,129)	(271,078)
<u>2,056,606</u>	<u>1,780,643</u>	<u>12,240,138</u>
\$ <u>3,355,537</u>	\$ <u>4,375,200</u>	\$ <u>28,580,980</u>

# Ashtabula Area City School District

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

June 30, 2012

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Total governmental fund balances \$ 12,240,138

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 112,396,911

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Delinquent property taxes	\$ 2,577,642
Grants	<u>1,388,483</u>

Total 3,966,125

Internal Service Funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 4,618,970

Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the statement of net assets. (1,818,304)

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditures is reported when bonds are issued. 344,540

Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds.

General obligation serial bonds	(32,861,836)
Capital appreciation bonds	(354,958)
Bond accretion	(142,599)
Compensated absences payable	(2,659,062)
Accrued interest payable	<u>(92,026)</u>

Total (36,110,481)

Net assets of governmental activities \$ 95,637,899

The accompanying notes are an integral part of these financial statements.

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# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

	General	Debt Service	Permanent Improvement	Construction Fund
Revenues:				
Taxes	\$ 9,158,168	\$ 2,731,592	\$ 1,173,358	\$ -
Intergovernmental	24,453,072	578,464	296,811	5,000,000
Tuition and fees	351,141	-	-	-
Investment earnings	6,950	-	-	422
Extracurricular activities	102,403	-	-	-
Miscellaneous revenue	282,024	3,082	1,161	-
Charges for services	-	-	-	-
Total revenues	<u>34,353,758</u>	<u>3,313,138</u>	<u>1,471,330</u>	<u>5,000,422</u>
Expenditures:				
Current:				
Instruction:				
Regular education	16,315,627	-	887,208	-
Special education	4,771,143	-	-	-
Vocational education	207,436	-	-	-
Other instruction	319,589	-	-	-
Support services:				
Pupil	1,792,571	-	-	-
Instructional staff	2,290,215	-	-	-
Board of education	180,167	-	-	-
Administration	2,176,191	-	83,765	-
Fiscal	731,379	57,486	28,643	-
Business	609,205	-	-	-
Operation and maintenance of plant	3,320,769	-	247,852	-
Pupil transportation	2,228,908	-	1,300	-
Central	119,146	-	-	-
Food service operations	-	-	-	-
Extracurricular activities	375,657	-	-	-
Capital outlay	296	-	923,600	4,709,990
Debt services:				
Principal	-	1,303,698	-	-
Interest and fiscal charges	-	1,527,537	-	-
Issuance costs	-	353,852	-	-
Total expenditures	<u>35,438,299</u>	<u>3,242,573</u>	<u>2,172,368</u>	<u>4,709,990</u>
Excess of revenues over (under) expenditures	<u>(1,084,541)</u>	<u>70,565</u>	<u>(701,038)</u>	<u>290,432</u>
Other financing sources (uses):				
Sale of capital assets	17,049	-	-	-
Proceeds from issuance of debt	-	32,724,957	-	-
Premium / discount on issuance of debt	-	1,867,448	-	-
Payment on refunded bond escrow agent	-	(34,238,553)	-	-
Transfers – in	-	-	-	260,951
Transfers – out	(19,000)	-	(260,951)	-
Total other financing sources (uses)	<u>(1,951)</u>	<u>353,852</u>	<u>(260,951)</u>	<u>260,951</u>
Net change in fund balance	(1,086,492)	424,417	(961,989)	551,383
Fund balance at beginning of year	<u>1,884,885</u>	<u>3,985,113</u>	<u>3,803,044</u>	<u>(197,471)</u>
Fund balance at end of year	<u>\$ 798,393</u>	<u>\$ 4,409,530</u>	<u>\$ 2,841,055</u>	<u>\$ 353,912</u>

The accompanying notes are an integral part of these financial statements.

Classroom Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 183,325	\$ 13,246,443
5,858,101	7,145,914	43,332,362
-	300	351,441
3,650	119	11,141
-	81,833	184,236
-	23,421	309,688
-	<u>424,275</u>	<u>424,275</u>
<u>5,861,751</u>	<u>7,859,187</u>	<u>57,859,586</u>
-	717,900	17,920,735
-	2,115,370	6,886,513
-	-	207,436
-	331,845	651,434
-	210,206	2,002,777
-	686,837	2,977,052
-	-	180,167
-	243,167	2,503,123
-	4,540	822,048
-	704	609,909
-	88,850	3,657,471
-	40,219	2,270,427
-	9,602	128,748
-	1,854,063	1,854,063
-	213,153	588,810
13,913,508	393,685	19,941,079
-	-	1,303,698
-	-	1,527,537
-	-	<u>353,852</u>
<u>13,913,508</u>	<u>6,910,141</u>	<u>66,386,879</u>
<u>(8,051,757)</u>	<u>949,046</u>	<u>(8,527,293)</u>
-	270,050	287,099
-	-	32,724,957
-	-	1,867,448
-	-	(34,238,553)
-	19,000	279,951
-	-	(279,951)
-	<u>289,050</u>	<u>640,951</u>
(8,051,757)	1,238,096	(7,886,342)
<u>10,108,363</u>	<u>542,547</u>	<u>20,126,480</u>
\$ <u><u>2,056,606</u></u>	\$ <u><u>1,780,643</u></u>	\$ <u><u>12,240,139</u></u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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Net Change in Fund Balances – Total Governmental Funds \$ (7,886,342)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlay exceeds depreciation in the current period. 12,961,654

Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets. (1,848,932)

Property tax and grant revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

	Property taxes	\$ 481,080	
	Intergovernmental	(1,090,767)	
	Total	<u>                    </u>	(609,687)

Other financing sources in the governmental funds increase long-term obligations in the Statement of Net Assets.

	General obligation bonds issued	(32,724,958)	
	Premium on bonds issued	(1,867,447)	
	Total	<u>                    </u>	(34,592,405)

Repayment of Long-Term Obligations is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets.

	General obligation bonds	34,300,000	
	Loss on refunding	1,194,601	
	Compensated absences	373,499	
	Total	<u>                    </u>	35,868,100

In the Statement of Activities, bond issuance costs are amortized over the term of the bonds, whereas, in the governmental funds, a bond issuance expenditures is reported when bonds are issued. 353,852

The accompanying notes are an integral part of these financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Accretion on capital appreciation bonds	(155,517)	
Accrued interest on debt	44,624	
Amortization of premium	385,336	
Amortization of loss on refunding	(31,437)	
Amortization of issuance costs	<u>(9,312)</u>	
Total		233,694

The Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the Statement of Activities. Governmental fund expenditures and related Internal Service fund revenues are eliminated. The net revenue (expense) of Internal Service Funds is allocated among the governmental activities.

809,653

Change in net assets of governmental activities \$ 5,289,587

The accompanying notes are an integral part of these financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,746,484	\$ 10,764,122	\$ 9,417,213	\$ (1,346,909)
Tuition and fees	357,690	342,787	345,606	2,819
Investment earnings	7,193	6,893	6,950	57
Extracurricular activities	97,898	93,819	94,591	772
Miscellaneous revenue	272,663	261,302	263,451	2,149
Intergovernmental	<u>25,374,358</u>	<u>24,317,112</u>	<u>24,517,120</u>	<u>200,008</u>
Total revenues	<u>35,856,286</u>	<u>35,786,035</u>	<u>34,644,931</u>	<u>(1,141,104)</u>
Expenditures:				
Current:				
Instruction:				
Regular education	16,442,986	16,731,524	16,542,164	189,360
Special education	4,748,023	4,831,340	4,776,661	54,679
Vocational education	215,341	219,120	216,640	2,480
Other instruction	378,751	385,397	381,035	4,362
Support services:				
Pupil	1,794,001	1,825,482	1,804,822	20,660
Instructional staff	2,099,432	2,136,272	2,112,095	24,177
Board of education	177,853	180,974	178,926	2,048
Administration	2,107,322	2,144,301	2,120,033	24,268
Fiscal	730,677	743,499	735,084	8,415
Business	641,375	652,630	645,244	7,386
Operation and maintenance of plant	3,351,066	3,409,869	3,371,278	38,591
Pupil transportation	2,130,402	2,167,786	2,143,252	24,534
Central	111,166	113,117	111,837	1,280
Extracurricular activities	358,764	365,060	360,928	4,132
Capital outlay	<u>294</u>	<u>299</u>	<u>296</u>	<u>3</u>
Total expenditures	<u>35,287,453</u>	<u>35,906,670</u>	<u>35,500,295</u>	<u>406,375</u>
Excess of revenues over (under) expenditures	<u>568,833</u>	<u>(120,635)</u>	<u>(855,364)</u>	<u>(734,729)</u>

Continued

The accompanying notes are an integral part of these financial statements.

## Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Other financing sources (uses):				
Sale of capital assets	17,645	16,910	17,049	139
Advances – in	1,038,529	1,038,529	1,038,529	-
Advances – out	(408,061)	(408,061)	(408,061)	-
Transfers – out	(18,886)	(19,217)	(19,000)	217
Total other financing sources (uses)	<u>629,227</u>	<u>628,161</u>	<u>628,517</u>	<u>356</u>
Net change in fund balance	1,198,060	507,526	(226,847)	(734,373)
Fund balance at beginning of year	266,928	266,928	266,928	-
Prior year encumbrances appropriated	<u>258,258</u>	<u>258,258</u>	<u>258,258</u>	-
Fund balance at end of year	\$ <u>1,723,246</u>	\$ <u>1,032,712</u>	\$ <u>298,339</u>	\$ <u>(734,373)</u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Statement of Fund Net Assets Proprietary Funds

June 30, 2012

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	<u>Governmental Activities</u> Internal Service Funds
Assets:	
Equity in pooled cash and investments	\$ <u>5,827,682</u>
Liabilities:	
Intergovernmental payable	116,012
Claims payable	<u>1,092,700</u>
Total liabilities	<u>1,208,712</u>
Net assets:	
Unrestricted net assets	\$ <u>4,618,970</u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

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

For the Fiscal Year Ended June 30, 2012

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	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 6,133,626
Miscellaneous	<u>238,168</u>
Total operating revenues	<u>6,371,794</u>
Operating expenses:	
Claims	5,387,627
Purchased services	<u>174,514</u>
Total operating expenses	<u>5,562,141</u>
Change in net assets	809,653
Total net assets at beginning of year	<u>3,809,317</u>
Total net assets at end of year	\$ <u><u>4,618,970</u></u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2012

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	<u>Governmental Activities</u> <u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from other funds	\$ 6,371,794
Cash payments for claims and contractual services	<u>(5,695,932)</u>
Net increase in cash and cash equivalents	675,862
Cash and cash equivalents at beginning of year	<u>5,151,820</u>
Cash and cash equivalents at end of year	\$ <u><u>5,827,682</u></u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>	
Operating income	\$ 809,653
Adjustments:	
Decrease in liabilities:	
Intergovernmental payable	(22,091)
Claims payable	<u>(111,700)</u>
<i>Net cash provided by operating activities</i>	\$ <u><u>675,862</u></u>

The accompanying notes are an integral part of these financial statements.

# Ashtabula Area City School District

## Statement of Fiduciary Assets and Liabilities Fiduciary Funds

June 30, 2012

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	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	\$ <u>90,867</u>	\$ <u>25,874</u>
Liabilities:		
Due to students	<u>-</u>	\$ <u>25,874</u>
Net assets:		
Held in trust for scholarships	\$ <u>90,867</u>	

The accompanying notes are an integral part of these financial statements.

## Ashtabula Area City School District

### Statement of Changes in Fiduciary Net Assets Fiduciary Funds

For the Fiscal Year Ended June 30, 2012

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	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$          30
Miscellaneous	<u>          8,738</u>
Total additions	<u>          8,768</u>
Deductions:	
Vocational education	750
Community Service	12
Extracurricular activities	<u>        24,887</u>
Total deductions	<u>        25,649</u>
Change in net assets	(16,881)
Total net assets at beginning of year	<u>        107,748</u>
Total net assets at end of year	\$ <u>        90,867</u>

The accompanying notes are an integral part of these financial statements.

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# Ashtabula Area City School District

## Notes to the Basic Financial Statements

June 30, 2012

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### **Note 1: Description of District**

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

The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District as mandated by state and/or federal agencies. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) of the District was 4,040 (this includes open enrollment and online students). The District employed 24 administrative and supervisory personnel, 272 certified employees and 158 non-certificated employees.

### **Note 2: Summary of Significant Accounting Policies**

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

#### **A. Reporting Entity**

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

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations*

##### *Northeast Ohio Management Information Network (NEOMIN)*

NEOMIN is a jointly governed organization among 30 school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$62,279 to NEOMIN during fiscal year 2012.

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

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

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

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

##### *Northeast Ohio Instructional Media Center (NEOIMC)*

NEOIMC is a jointly governed organization among 45 school districts. The jointly governed organization was formed for the purpose of providing quality film and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on 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 superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **A. Reporting Entity (continued)**

#### *Jointly Governed Organizations (continued)*

##### *Ashtabula County Career and Technical Center (A-Tech)*

A-Tech is a separate body politic and corporate, established by the Ohio Revised Code to provide for the career, technical and special education needs of the students. Its board of education is appointed by the representative school districts. The District is not involved in the budgeting or management of A-Tech. The District's students may attend this school.

#### *Related Organizations*

##### *Non-public schools*

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

##### *Harbor-Topky Memorial Library*

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

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

### **B. Fund Accounting**

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

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

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

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

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

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

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

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

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **B. Fund Accounting (continued)**

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

### **C. Basis of Presentation and Measurement Focus**

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

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **C. Basis of Presentation and Measurement Focus (continued)**

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

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

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

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

### **D. Basis of Accounting**

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

**Revenues – Exchange and Non-exchange Transactions:** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year-end.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **D. Basis of Accounting (continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, interest, tuition, and student fees.

**Deferred Revenue:** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

### **E. Budgetary Process**

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **E. Budgetary Process (continued)**

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

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

**Estimated Resources:** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

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

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

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

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

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$6,950. The amount allocated from other funds during fiscal year 2012 amounted to \$3,945.

For the District, all investment earnings accrue to the General Fund, Construction Fund, Food Service Fund, Classroom Facilities Fund, Auxiliary Service Fund, one Expendable and one Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2012 totaled \$11,141.

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

### **G. Inventory**

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

### **H. Restricted Assets**

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 2: Summary of Significant Accounting Policies (continued)

### I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

### J. Interfund Balances

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

### K. Compensated Absences

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **K. Compensated Absences (continued)**

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

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

### **L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due.

### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include resources which will be used for athletics, special education and other grants.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **N. Fund Balance**

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

*Nonspendable:* The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

*Committed:* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit these amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned:* Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education.

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

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

### **O. Operating Revenues and Expenses**

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 2: Summary of Significant Accounting Policies (continued)**

### **P. Interfund Activity**

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

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

### **Q. Estimates**

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

### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District had neither extraordinary items nor special items.

### **S. Subsequent Events**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 27, 2012, the date the financial statements were available to be issued.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 3: Fund Balances

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

Fund Balances	Total General	Debt Service	Permanent Improvement	Construction Fund	Classroom Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Inventory	\$ 75,571	\$ -	\$ -	\$ -	\$ -	\$ 43,866	\$ 119,437
Restricted for:							
Food service operations	-	-	-	-	-	286,997	286,997
Community activities	-	-	-	-	-	418,540	418,540
Athletics	-	-	-	-	-	55,148	55,148
Auxiliary services	-	-	-	-	-	71,763	71,763
Special education programs	-	-	-	-	-	5,810	5,810
English proficiency	-	-	-	-	-	8,070	8,070
Debt service payments	-	4,409,529	-	-	-	-	4,409,529
Other purposes	11,000	-	-	-	-	59,030	70,030
Capital improvements	-	-	2,841,055	353,912	2,056,606	1,573,159	6,824,732
Total restricted	<u>11,000</u>	<u>4,409,529</u>	<u>2,841,055</u>	<u>353,912</u>	<u>2,056,606</u>	<u>2,478,517</u>	<u>12,150,619</u>
Committed to:							
Capital improvements	-	-	-	-	-	69,389	69,389
Assigned to:							
Other purposes	171,771	-	-	-	-	-	171,771
Unassigned (deficit)	540,051	-	-	-	-	(811,129)	(271,078)
Total Fund Balances	<u>\$ 798,393</u>	<u>\$ 4,409,529</u>	<u>\$ 2,841,055</u>	<u>\$ 353,912</u>	<u>\$ 2,056,606</u>	<u>\$ 1,780,643</u>	<u>\$ 12,240,138</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 4: Accountability and Compliance

### A. Accountability

The following funds had negative fund balances at June 30, 2012:

Nonmajor Special Revenue Funds:

Public School Preschool Fund	\$	15,925
Alternative Schools Fund		8,055
Education Jobs Fund		211,443
Race to the Top		20,961
Title VI-B Special Education Fund		189,596
State Fiscal Stabilization Fund		2,319
School Improvement		
Sub G		31,016
Title I Fund		246,749
Classroom Reduction Fund		68,456
Miscellaneous Federal Grants Fund		15,724

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

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

### B. Compliance

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

Special Revenue Funds:		
Education Jobs Fund	\$	30,958
Race to the Top Fund		129,599
Classroom Facilities Funds:		
Capital Projects Fund		780,934
Building Reserve Fund		18,144

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 5: Equity in Pooled Cash and Investments**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section or repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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

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

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

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

## Deposits

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

At year end, the carrying amount of the District's deposits was \$13,985,489 and the bank balance was \$14,282,963. Of the bank balance, \$684,815 was covered by federal depository insurance and \$13,598,148 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department or agent, but not in the District's name. At fiscal year-end, the District had \$125 in un-deposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

## Investments

Investments are reported at fair value. As of June 30, 2012, the District had the following investments:

	Fair Value	Maturity Date
STAROhio	\$ 1,292,225	July 2012
Federal National Mortgage Association	1,754,988	October 2016
Federal Home Loan Mortgage Corporation	50,081	May 2017
Federal Farm Credit Bank	1,003,282	More than 6 months
Cash Equivalents	<u>754,259</u>	More than 6 months
Total investments	<u>\$ 4,854,835</u>	

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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

**Interest Rate Risk** arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

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

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

**Concentration of Credit Risk** The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2012:

	<u>Percentage of Investments</u>
STAROhio	26.62%
Federal National Mortgage Association	36.15%
Federal Home Loan Mortgage Corporation	1.03%
Federal Farm Credit Bank	20.66%
Cash Equivalents	15.54%

## **Note 6: Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011. Assessed values for real property are established by the State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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**Note 6: Property Taxes (continued)**

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received from telephone companies during calendar 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures, is no longer levied and collected.

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes. Second-half real property tax payments collected by the county by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2012 taxes were collected were as follows:

	2011		2012	
	<u>Second-Half Collections</u>		<u>First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$ 436,575,610	94.08%	\$ 399,536,210	93.76%
Public Utility Personal Property	<u>27,459,940</u>	<u>5.92%</u>	<u>26,931,200</u>	<u>6.24%</u>
Total Assessed Value	\$ <u>464,035,550</u>	<u>100.00%</u>	\$ <u>426,467,410</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 52.00		\$ 52.00	

Accrued property taxes receivables include real property and public utility taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2012, was \$3,841,526 in the General Fund, \$1,149,290 in the Bond Retirement Fund, \$495,073 in the Permanent Improvement Fund and \$77,133 in the Classroom Facilities Maintenance Fund.

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 7: Receivables

Receivables at June 30, 2012, consisted of taxes, accounts, intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs.

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

### Governmental activities:

Property taxes	\$ 13,366,727
Accounts	15,343
Intergovernmental	<u>1,775,385</u>
Total	<u>\$ 15,157,455</u>

## Note 8: Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/12</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 843,578	\$ 681,644	\$ (430,301)	\$ 1,094,921
Construction in progress	<u>38,609,573</u>	<u>15,894,566</u>	<u>(34,372,640)</u>	<u>20,131,499</u>
Total capital assets, not being depreciated	<u>39,453,151</u>	<u>16,576,210</u>	<u>(34,802,941)</u>	<u>21,226,420</u>
Capital assets, being depreciated:				
Land improvements	566,101	259,006	-	825,107
Buildings	66,871,134	32,310,068	(4,155,516)	95,025,686
Furniture and equipment	956,667	1,181,499	-	2,138,166
Vehicles	<u>3,317,564</u>	<u>52,847</u>	<u>-</u>	<u>3,370,411</u>
Total capital assets, being depreciated	<u>71,711,466</u>	<u>33,803,420</u>	<u>(4,155,516)</u>	<u>101,359,370</u>
Less accumulated depreciation:				
Land improvements	(259,473)	(37,611)	-	(297,084)
Buildings	(7,241,331)	(2,561,223)	2,736,885	(7,065,669)
Furniture and equipment	(591,963)	(190,765)	-	(782,728)
Vehicles	<u>(1,787,661)</u>	<u>(255,737)</u>	<u>-</u>	<u>(2,043,398)</u>
Total accumulated depreciation	<u>(9,880,428)</u>	<u>(3,045,336)</u>	<u>2,736,885</u>	<u>(10,188,879)</u>
Capital assets being depreciated, net	<u>61,831,038</u>	<u>30,758,084</u>	<u>(1,418,631)</u>	<u>91,170,491</u>
Total capital assets, net	<u>\$ 101,284,189</u>	<u>\$ 47,334,294</u>	<u>\$ (36,221,572)</u>	<u>\$ 112,396,911</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 8: Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular education	\$ 125,737
Special education	166
Support services:	
Administration	3,965
Operation and maintenance of plant	47,225
Pupil transportation	228,507
Central	17,596
Operation of non-instructional services:	
Food service operations	15,364
Extracurricular activities	3,900
Facilities acquisitions and construction services	<u>2,602,876</u>
Total depreciation expense	\$ <u>3,045,336</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

## Note 9: Long-Term Liabilities

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

	Principal Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
OSFC construction bonds 3.06% - 3.08% - 12/01/2012	\$ 35,475,000	\$ -	\$ (33,820,000)	\$ 1,655,000	\$ 1,655,000
Refunded OSFC construction bonds 2.00% - 12/01/2030	-	32,370,000	-	32,370,000	460,000
OSFC construction capital appreciation bonds 9.69% - 12/01/2012	208,699	-	(208,699)	-	-
Refunded OSFC construction capital appreciation bonds 2.00% - 12/01/2020	-	354,958	-	354,958	-
Accretion on capital appreciation bonds	258,383	12,918	(271,301)	-	-
Accretion on refunded capital appreciation bonds	-	142,599	-	142,599	-
Premium on construction bonds	336,193	1,867,447	(385,336)	1,818,304	-
Loss on refunding	-	(1,194,601)	31,437	(1,163,164)	-
Compensated absences	<u>3,032,561</u>	<u>73,710</u>	<u>(447,209)</u>	<u>2,659,062</u>	<u>438,808</u>
Total governmental activities long-term liabilities	\$ <u>39,310,836</u>	\$ <u>33,627,031</u>	\$ <u>(35,101,108)</u>	\$ <u>37,836,759</u>	\$ <u>2,553,808</u>

Principal and interests requirements to retire bonds outstanding at June 30, 2012 are as follows:

	<u>Refunded Bond</u>		<u>OSFC Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 460,000	\$ 1,037,782	\$ 1,655,000	\$ 30,965	\$ 2,115,000	\$ 1,068,747
2014	1,555,000	1,017,632	-	-	1,555,000	1,017,632
2015	1,580,000	986,282	-	-	1,580,000	986,282
2016	1,615,000	954,332	-	-	1,615,000	954,332
2017	1,650,000	921,682	-	-	1,650,000	921,682
2018-2022	6,554,958	6,295,122	-	-	6,554,958	6,295,122
2023-2027	9,920,000	2,815,908	-	-	9,920,000	2,815,908
2028-2031	<u>9,390,000</u>	<u>769,200</u>	<u>-</u>	<u>-</u>	<u>9,390,000</u>	<u>769,200</u>
Total	\$ <u>32,724,958</u>	\$ <u>14,797,940</u>	\$ <u>1,655,000</u>	\$ <u>30,965</u>	\$ <u>34,379,958</u>	\$ <u>14,828,905</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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**Note 9: Long-Term Liabilities (continued)**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$8,411,638 and an unvoted debt margin of \$426,467.

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

On January 11, 2012, the District issued \$32,724,958 in general obligation bonds for the purpose of refunding general obligation bonds outstanding in order to take advantage of lower interest rates. An analysis of the information follows:

	2002 OSFC Construction Bonds <u>Series A</u>
Outstanding at June 30, 2011	\$ 34,995,000
Amount refunded	(32,725,000)
Principal payment on non-refunded portion	<u>(1,095,000)</u>
Outstanding at June 30, 2012	\$ <u><u>1,175,000</u></u>

The bonds were sold at a premium of \$2,215,574 with an issue discount of \$348,126. Proceeds of \$34,238,553 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the general obligation bonds. As a result, \$33,493,679 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the District's financial statements.

The District decreased its total debt service payments by \$3,213,728 as a result of the refunding. The District also incurred an economic gain (difference between the present value of the old and new debt service payments) of \$2,370,370.

**Note 10: Employee Benefits**

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 10: Employee Benefits (continued)**

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

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

The Superintendent earns 25 days of vacation per year and is required to take them that year. There is no option to exchange for cash or carry over to the following year.

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

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

**Vacation Pay:** All 12 month classified employees may choose to be paid for two weeks of vacation in lieu of time off at their rate of pay.

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

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

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

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

1. The R.I. payment shall be equal to 35 percent of the retiree's placement on the salary schedule for the last full school year worked.
2. The R.I. payment shall be made the first certified pay in January of the following calendar year.
3. The end of the school year in which a bargaining unit member meets the criteria for the R.I. Plan as outlined above is the only time the plan is offered to the employee.

The 2011-2012 Retirement Incentive Plan will be paid in January 2013. The payment of \$47,416 will be made from the General Fund and are reported on the government-wide financial statements.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 11: Risk Management**

### **A. General Risk**

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$103,469,052. Other property insurance includes \$3,060,510 for musical instrument, related equipment and accessories, and electronic data processing hardware.

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

### **B. Workers' Compensation**

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

### **C. Health Insurance**

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

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

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

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 11: Risk Management (continued)

### C. Health Insurance (continued)

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$1,092,700 at June 30, 2012.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2012	\$ 1,204,400	\$ 5,275,927	\$ (5,387,627)	\$ 1,092,700
2011	1,289,900	6,463,103	(6,548,603)	1,204,400
2010	1,298,400	5,808,997	(5,817,497)	1,289,900
2009	1,247,600	5,238,857	(5,188,057)	1,298,400

## Note 12: Defined Benefit Pension Plans

### A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ended June 30 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

The District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010, were \$673,145, \$711,191, and \$722,191, respectively; 89.41 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 12: Defined Benefit Pension Plans (continued)**

### **B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling toll free 1-888-227-7877 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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

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

The DC Plan benefits are established under Sections 3307.80 and 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 12: Defined Benefit Pension Plans (continued)**

### **B. State Teachers Retirement System (continued)**

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

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

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

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

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$2,232,315, \$2,467,719, and \$2,518,704 respectively; 91.44 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$26,228 made by the District and \$38,427 made by the plan members.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 12: Defined Benefit Pension Plans (continued)**

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

## **Note 13: Post-Employment Benefits**

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

The District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by SERS for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of actuary, allocates a portion of the current employer contribution rate to the Medicare Part B Fund. For fiscal year 2012, the actuarially required allocation is 0.75 percent. The District's contributions for the fiscal years ended June 30, 2012, 2011, and 2010 were \$36,061, \$38,607, and \$39,205 respectively; 89.19 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Health Care Plan is funded through employer contributions as set forth in ORC 3309.375 and 3309.69 to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## **Note 13: Post-Employment Benefits (continued)**

### **A. School Employees Retirement System (continued)**

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation was 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2012, 2011, and 2010 the School District's contributions assigned to health care were \$97,703, \$148,938, and \$96,470, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

### **B. State Teachers Retirement System**

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

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

Under Ohio law funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to postemployment health care. For the fiscal years ended June 30, 2012, 2011 and 2010 the District's contributions to postemployment health care were \$159,451, \$176,266, and \$179,907, respectively. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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**Note 14: Interfund Transactions**

**A. Interfund balances**

Interfund balances consisted of the following at June 30, 2012, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	OSFC Fund	\$ 6,803
General Fund	Nonmajor Governmental Funds	<u>401,258</u>
		<u>\$ 408,061</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the Statement of Net Assets.

**B. Interfund transfers**

As of December 31, 2012, interfund transfers were as follows:

	<u>Transfers Out</u>	
	<u>General</u>	<u>Permanent Improvement</u>
Transfers In:		
Construction	\$ -	\$ 260,951
Nonmajor Governmental	<u>19,000</u>	<u>-</u>
Total	<u>\$ 19,000</u>	<u>\$ 260,951</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2012, the District transferred \$260,951 from the Permanent Improvement Fund to the Construction Fund for roof remediation costs incurred.

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 15: Operating Leases

The District leases several copier machines from Xerox. The following is a general description of the lease agreements:

The District entered into a 60 month lease with Xerox, commencing July 2010 for copiers to be used within the District. The total rental expense for the year ended June 30, 2012, was \$89,940. Future minimum payments for leases with remaining lease terms in excess of one year for the years ending June 30 are as follows:

2013	\$	89,940
2014		89,940
2015		<u>88,590</u>
Total	\$	<u>268,470</u>

## Note 16: Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

		<u>General</u>
Budget basis	\$	(1,086,492)
Net adjustment for revenue accruals		1,329,702
Net adjustment for expenditure accruals		(162,020)
Adjustment for encumbrances		(308,037)
Funds budgeted elsewhere		<u>(71,492)</u>
GAAP basis	\$	<u>(298,339)</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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## Note 17: Contingencies

### A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2012.

### B. Litigation

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

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

## Note 18: Statutory Reserves

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by statute. This reserve is calculated and presented on a cash basis. During the year ended June 30, 2012, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set-aside reserve balance as of June 30, 2011	\$ -
Current year set-aside requirement	675,982
Qualifying disbursements	<u>(2,322,627)</u>
Totals	\$ <u>(1,646,645)</u>
Balance carried forward to June 30, 2012	\$ <u>-</u>

# Ashtabula Area City School District

Notes to the Basic Financial Statements (continued)

June 30, 2012

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**Note 18: Statutory Reserves (continued)**

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

**Note 19: Contractual Commitments and Other Significant Commitments Including Encumbrances**

At June 30, 2012, the District had outstanding construction contracts that were encumbered are as follows. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

<u>School Construction</u>	<u>Contractual Commitments &amp; Encumbrances</u>
Elementary Campus:	
ACA Engineering Inc.	\$ 37,903
Detrick Industrial Piping	57,636
Enertech Electrical	36,273
Fulton & Associates	302,740
Great Lakes Crushing, Ltd.	105,225
Koski Construction Co.	39,280
Mike Coates Construction	61,479
Netech Corporation	33,785
Olsavsky Jaminet Architects	487,409
High School:	
A.W. Farrell & Sons, Inc.	11,402
Bricker & Eckler	43,119
District:	
Olsavsky Jaminet Architects	44,682
Proquality Land Improvement	365,000
Permanent Improvement Fund	52,052
Construction Fund	232,439
Classroom Facilities Fund	109,634
Non-major Capital Projects Fund	4,458
Total	\$ <u>2,024,516</u>
	<u>Encumbrances</u>
General fund for other purpose	\$ 138,389
Non-major funds other than capital projects	95,853
Total	\$ <u>234,242</u>
Total Contractual Commitments and Encumbrances	\$ <u>2,258,758</u>

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

Board of Education  
Ashtabula Area City School District  
Ashtabula, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the “District”) as of and for the year ended June 30, 2012, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Board of Education  
Ashtabula Area City School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2012-1.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response, and accordingly, we express no opinion on it.

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

*Cini & Parichi, Inc.*

Cleveland, Ohio  
December 27, 2012

**Independent Auditor's Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on Each Major Program and on Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

Board of Education  
Ashtabula Area City School District  
Ashtabula, Ohio

**Compliance**

We have audited Ashtabula Area City School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The 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 the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control over Compliance**

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the District's compliance but not to provide an opinion on the effectiveness of the District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance with requirements applicable to the each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Cuni & Panichi, Inc.*

Cleveland, Ohio  
December 27, 2012

# Ashtabula Area City School District

## Schedule of Expenditures of Federal Awards

### For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Year</u>	<u>Receipts</u>	<u>Non-cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Nutrition Cluster:						
National School Breakfast Program	10.553	2012	\$ 363,072	\$ -	\$ 363,072	\$ -
National School Lunch Program	10.555	2012	<u>908,732</u>	<u>115,124</u>	<u>908,732</u>	<u>94,686</u>
Total Nutrition Cluster			<u>1,271,804</u>	<u>115,124</u>	<u>1,271,804</u>	<u>94,686</u>
National Fruit and Vegetable Program	10.582	2012	<u>48,239</u>	<u>-</u>	<u>48,239</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,320,043</u>	<u>115,124</u>	<u>1,320,043</u>	<u>94,686</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Title I, Part A Cluster:						
Title I	84.010	2011/2012	2,197,451	-	1,728,923	-
ARRA – Title I	84.389	2011	<u>84,908</u>	<u>-</u>	<u>90,831</u>	<u>-</u>
Total Title I, Part A Cluster			<u>2,282,359</u>	<u>-</u>	<u>1,819,754</u>	<u>-</u>
Special Education Cluster:						
IDEA-B	84.027	2011/2012	764,788	-	405,536	-
ARRA – IDEA-B	84.391	2011	<u>70,133</u>	<u>-</u>	<u>117,696</u>	<u>-</u>
Subtotal IDEA-B			<u>834,921</u>	<u>-</u>	<u>523,232</u>	<u>-</u>
Special Education – Preschool Grant	84.173	2011/2012	<u>31,213</u>	<u>-</u>	<u>21,611</u>	<u>-</u>
Total Special Education Cluster			<u>866,134</u>	<u>-</u>	<u>544,843</u>	<u>-</u>
Enhancing Education through Technology	84.318	2012	11,033	-	11,223	-
Title VI-B	84.358	2010/2011	67,483	-	87,275	-
Title III - LEP	84.365	2012-2012	44,639	-	48,917	-
Title II-A	84.367	2011/2012	342,236	-	338,896	-
Title I – Sub G	84.377	2012	-	-	9,312	-
ARRA – State Fiscal Stabilization Fund	84.394	2011	-	-	48,972	-
ARRA – Race to the Top	84.395	2011/2012	520,818	-	528,178	-
Education Jobs Fund	84.410	2011/2012	<u>857,821</u>	<u>-</u>	<u>1,052,205</u>	<u>-</u>
Total U.S. Department of Education			<u>4,992,523</u>	<u>-</u>	<u>4,489,575</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>6,312,566</u>	\$ <u>115,124</u>	\$ <u>5,809,618</u>	\$ <u>94,686</u>

The accompanying notes are an integral part of this schedule

# Ashtabula Area City School District

Notes to the Schedule of Expenditures of Federal Awards

**For the Year Ended June 30, 2012**

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## **Note 1: Significant Accounting Policies**

### **Basis of Presentation**

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

### **Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

### **Non-Cash Support**

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

CFDA – Catalog of Federal Domestic Assistance

# Ashtabula Area City School District

Schedule of Findings  
OMB Circular A-133 Section .505

**For the Year Ended June 30, 2012**

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## 1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510(a)?	No
(d)(I)(vii)	Major Programs	Nutrition Cluster: CFDA # 10.553, 10.555 Title I, Part A Cluster: CFDA # 84.010, 84.389 Special Education Cluster: CFDA # 84.027, 84.173, 84.391 Race to the Top CFDA # 84.395
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

# Ashtabula Area City School District

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

**For the Year Ended June 30, 2012**

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

Findings	Findings Summary																		
2012-1	<p><b><i>Budgetary Control – Material Noncompliance</i></b></p> <p>Per ORC 5705.41(B), no subdivision is to expend money unless it has been appropriated. The following funds had final expenditures plus encumbrances in excess of final appropriations plus prior year encumbrances:</p> <table><tbody><tr><td>Special Revenue Funds:</td><td></td><td></td></tr><tr><td>    Education Jobs Fund</td><td>\$</td><td>30,958</td></tr><tr><td>    Race to the Top Fund</td><td></td><td>129,599</td></tr><tr><td>Capital Projects Funds:</td><td></td><td></td></tr><tr><td>    Classroom Facilities Fund</td><td></td><td>780,934</td></tr><tr><td>    Building Reserve Fund</td><td></td><td>18,144</td></tr></tbody></table>	Special Revenue Funds:			Education Jobs Fund	\$	30,958	Race to the Top Fund		129,599	Capital Projects Funds:			Classroom Facilities Fund		780,934	Building Reserve Fund		18,144
Special Revenue Funds:																			
Education Jobs Fund	\$	30,958																	
Race to the Top Fund		129,599																	
Capital Projects Funds:																			
Classroom Facilities Fund		780,934																	
Building Reserve Fund		18,144																	

## 3. Findings for Federal Awards

None

## Ashtabula Area City School District

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

### **For the Year Ended June 30, 2012**

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Findings	Findings Summary	Corrected	Responsible Contact Person; Not Corrected, Partially Corrected
2011-1	Budgetary Control - Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue.	Yes	William Hill, Treasurer
2011-2	Budgetary Control - Per ORC 5705.41(B), no subdivision is to expend money unless it has been appropriated.	No	William Hill, Treasurer; Not Corrected – Reissued 2012-1

**Ashtabula Area City School District**

**2630 West 13<sup>th</sup> Street  
Ashtabula, Ohio 44004  
(440) 992-1200**

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

**June 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-1	Management will monitor budget more closely and adjust as necessary.	Fiscal Year 2013	William Hill, Treasurer;



# Dave Yost • Auditor of State

ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 14, 2013