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Conneaut Area City School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Conneaut Area City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities decreased \$563,807, which represents a 5 percent decrease from fiscal year 2014.
- The general fund and bond retirement debt service fund are the only funds reported as major.
- During fiscal year 2015, the District paid down outstanding debt obligations by \$521,000. No new debt was issued.
- The District actively pursues grants and controls expenses while still maintaining the high academic standards the residents expect of the District.
- The District implemented GASB 68 during the fiscal year, which resulted in the inclusion of a net pension liability of \$24,688,013. For more information on this liability see Note 12 to the basic financial statements.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the most significant funds, and the only governmental funds reported as major.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to support the District.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. 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 and the bond retirement fund debt service fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Net Position (Table 1)			
Governmental Activities			
	2015	(Restated) 2014	Increase (Decrease)
Assets			
Current and Other Assets	\$10,977,017	\$11,108,911	(\$131,894)
Capital Assets, Net	34,260,296	35,669,234	(1,408,938)
<i>Total Assets</i>	<u>45,237,313</u>	<u>46,778,145</u>	<u>(1,540,832)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding Pension	70,650	78,962	(8,312)
	1,497,725	1,355,289	142,436
<i>Total Deferred Outflows of Resources</i>	<u>1,568,375</u>	<u>1,434,251</u>	<u>134,124</u>
Liabilities			
Current Liabilities	2,286,514	2,371,429	(84,915)
Long-Term Liabilities			
Due within One Year	628,165	612,685	15,480
Due in More than One Year:			
Net Pension Liability	20,775,851	24,688,013	(3,912,162)
Other Amounts	5,348,603	5,792,543	(443,940)
<i>Total Liabilities</i>	<u>29,039,133</u>	<u>33,464,670</u>	<u>(4,425,537)</u>
Deferred Inflows of Resources			
Property Taxes	3,044,889	3,221,617	(176,728)
Pension	3,759,364	0	3,759,364
<i>Total Deferred Inflows of Resources</i>	<u>6,804,253</u>	<u>3,221,617</u>	<u>3,582,636</u>
Net Position			
Net Investment in Capital Assets	29,571,925	30,452,055	(880,130)
Restricted	2,887,910	2,719,673	168,237
Unrestricted (Deficit)	(21,497,533)	(21,645,619)	148,086
<i>Total Net Position</i>	<u>\$10,962,302</u>	<u>\$11,526,109</u>	<u>(\$563,807)</u>

During 2015, the District adopted GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27", which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting;

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however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

As a result of implementing GASB No. 68, the District is reporting a net pension liability and deferred outflows and inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$34,858,833 to \$11,526,109.

Over time, net position can serve as a useful indicator of a District's financial position. At June 30, 2015, the District's net position was \$10,962,302, a decrease of 5 percent from the prior fiscal year.

The overall decrease in net position is due to a decrease in capital assets. The decrease in capital assets is due to annual depreciation outpacing additions to assets.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for fiscal year 2015 and 2014.

Table 2
Change in Net Position

	2015	(Restated) 2014	Increase (Decrease)
Program Revenues			
Charges for Services and Sales	\$643,868	\$497,369	\$146,499
Operating Grants and Contributions	2,319,033	2,429,566	(110,533)
Capital Grants and Contributions	356,331	306,137	50,194
<i>Total Program Revenues</i>	<u>3,319,232</u>	<u>3,233,072</u>	<u>86,160</u>
General Revenues			
Property Taxes	4,924,507	4,686,369	238,138
Intergovernmental	12,325,178	12,248,159	77,019
Investment Earnings	3,328	2,287	1,041
Miscellaneous	36,572	65,471	(28,899)
<i>Total General Revenues</i>	<u>17,289,585</u>	<u>17,002,286</u>	<u>287,299</u>
<i>Total Revenues</i>	<u>\$20,608,817</u>	<u>\$20,235,358</u>	<u>\$373,459</u>
Program Expenses			
Current:			
Instruction:			
Regular	8,493,156	8,500,219	(7,063)
Special	3,113,385	3,271,737	(158,352)
Vocational	75,312	74,737	575
Other	1,477,816	1,280,465	197,351
Support Services:			
Pupil	843,417	815,962	27,455
Instructional Staff	553,948	537,445	16,503
Board of Education	20,004	25,583	(5,579)
Administration	1,885,744	1,743,636	142,108
Fiscal	494,480	437,514	56,966
Operation and Maintenance of Plant	1,994,421	2,308,289	(313,868)
Pupil Transportation	817,057	985,776	(168,719)
Central	23,778	41,902	(18,124)
Operation of Food Services	751,148	839,190	(88,042)
Extracurricular Activities	399,370	364,537	34,833
Interest and Fiscal Charges	229,588	165,648	63,940
<i>Total Program Expenses</i>	<u>21,172,624</u>	<u>21,392,640</u>	<u>(220,016)</u>
<i>Change in Net Position</i>	(563,807)	(1,157,282)	593,475
Net Position Beginning of Year	11,526,109	n/a	n/a
<i>Net Position End of Year</i>	<u>\$10,962,302</u>	<u>\$11,526,109</u>	<u>\$593,475</u>

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The information necessary to restate the fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,355,289 computed under GASB No. 27. GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB No. 68, the fiscal year 2015 statements report negative pension expense of \$1,006,621.

In order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total fiscal year 2015 GASB 68 program expenses	\$21,172,624
Plus:	
2015 negative pension expense	(1,006,621)
2015 contractually required contributions	<u>1,301,855</u>
<i>Adjusted 2015 Program Expenses</i>	<u><u>\$21,467,858</u></u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay less than \$35.00 and the District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus the District's dependence upon property taxes is hampered by a lack of revenue growth so it must regularly return to the voters to maintain a constant level of service. Property taxes made up 24 percent of revenues for governmental activities for Conneaut Area City School District in fiscal year 2015 versus 23 percent in fiscal year 2014 and 20 percent in fiscal year 2013. Calendar year 2014 was a reappraisal year for the District and historically the District could count on a 20 percent increase in assessed valuations. Due to the current housing market only a 3.6 percent increase in assessed valuations was realized with this appraisal. Calendar year 2011 was an update year so assessed values were reevaluated once again. The District has not gone to the community for an operating levy since 1991. The District has prudently managed expenses within revenues over the prior fifteen years.

Although the District relies upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset operating costs.

Most areas of expenses decreased, as the District made an effort to control costs.

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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 2015 compared to 2014.

(Table 3)
Total and Net Cost of Program Services

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$13,159,669	\$11,304,503	\$13,127,158	\$11,352,295
Support Services:				
Pupils and Instructional Staff	1,397,365	1,172,555	1,353,407	1,130,169
Board of Education, Administration and Fiscal	2,400,228	2,305,396	2,206,733	2,120,615
Operation and Maintenance of Plant	1,994,421	1,994,421	2,308,289	2,308,289
Pupil Transportation	817,057	817,057	985,776	985,776
Central	23,778	23,778	41,902	41,902
Extracurricular Activities	399,370	(68,344)	364,537	(52,597)
Food Service Operations	751,148	74,438	839,190	107,471
Interest and Fiscal Charges	229,588	229,588	165,648	165,648
<i>Total Expenses</i>	\$21,172,624	\$17,853,392	\$21,392,640	\$18,159,568

The District's Funds

Information about the District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$20,616,764 and expenditures of \$20,479,678. The District's governmental funds reported a combined fund balance of \$5,147,557, which is 3 percent higher than last year's total of \$5,010,471. The increase in property tax and intergovernmental revenues coupled with a decrease in overall expenditures was a main factor in the overall increase in fund balance of District this fiscal year.

General Fund The general fund balance decreased \$3,290 during fiscal year 2015, an insignificant amount for an entire year of operation.

Bond Retirement Fund The bond retirement debt service fund balance decreased almost three percent as expenditures outpaced revenues by \$47,743.

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General Fund Budgeting Highlights

Budgeting is prescribed by the Ohio Revised Code. Essentially, the budget is the District's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the Ohio Revised Code. During the course of fiscal year 2015, the School District amended its general fund budget numerous times to allow for insignificant amendments. Actual revenues received were in line with the final certification. The final certification was slightly higher than the original budgeted revenues, due to higher estimates in property taxes and tuition and fees as the fiscal year progressed. Actual expenditures, excluding other financing uses, were \$1,164,307 less than final appropriations due mainly to a conservative budgeting approach and the diligence of management to keep costs low while still providing the services the School District citizens expect.

The District uses a site based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principles are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	<u>2015</u>	<u>2014</u>
Land	\$1,020,916	\$1,020,916
Construction in Progress	0	952,430
Land Improvements	1,747,482	1,127,526
Buildings and Improvements	29,893,721	30,922,637
Furniture, Equipment and Fixtures	1,159,932	1,173,981
Vehicles	438,245	471,744
Total	<u>\$34,260,296</u>	<u>\$35,669,234</u>

The overall decrease in capital assets of \$1,408,938 is due to current year depreciation of \$1,682,295 and net deletions exceeding capital outlays of \$446,523.

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements. For fiscal year 2015, this set aside amounted to \$297,555. See Note 9 to the basic financial statements for additional information on the District capital assets and Note 19 for additional information regarding required set-asides.

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Debt

Table 5 summarizes the District's outstanding debt for fiscal year 2015 compared to fiscal year 2014:

(Table 5)
Outstanding Long-Term Obligations

	Governmental Activities		
	2015	2014	Change
Bleacher Refinancing Loan	\$112,000	\$168,000	\$56,000
Classroom Facilities Improvement Refunding Bonds:			
Current Interest Serial Bonds	3,150,000	3,500,000	350,000
Capital Appreciation Bonds	94,999	94,999	0
Accretion on Capital Appreciation Bonds	196,184	137,295	(58,889)
Energy Conservation Term Bonds	1,265,000	1,380,000	115,000
Totals	\$4,818,183	\$5,280,294	\$462,111

Classroom Facilities Improvement general obligation bonds were retired by the issuance of Classroom Facilities Improvement Refunding bonds during fiscal year 2011. The District also issued Energy Conservation Bonds during fiscal year 2011. During fiscal year 2012, the District received a loan from Conneaut Savings Bank in order to finance the remaining costs of the bleacher project.

The District's overall legal debt margin was \$16,817,127 with an unvoted debt margin of \$217,873. Additional information concerning debt issuances can be found in note 14 to the basic financial statements.

Challenges and Opportunities

Conneaut Area City School District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. Recent national events and their impact on the District and the surrounding area are very much under review and analysis. Economic recession has had a major impact on our industries. We have limited local industry, but we are a much diversified community with many residents working outside our District in varying types of employment.

The District is not without its share of challenges. The need for additional funds for operations is seen as the newest challenge for the District the last couple fiscal years. Another example is seen in low interest rates being very good for issuing debt, but not attractive for maintaining investment revenues. This is evident from the very small amount of interest revenue during fiscal year 2015. And finally, actions of local and state governments continue to impact the District. Like many school districts in the State of Ohio, the District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations.

As a result of the challenges mentioned, it is imperative the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years. All of the District's financial abilities will be needed to meet the challenges of the future.

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Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Lindsey Elly, Treasurer, at Conneaut Area City School District, 400 Mill Street, Suite B, Conneaut, Ohio 44030 or email at LElly@cacsk12.org.

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*Statement of Net Position
June 30, 2015*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,228,628
Accounts Receivable	1,981
Intergovernmental Receivable	82,319
Property Taxes Receivable	4,595,623
Inventory Held for Resale	25,015
Materials and Supplies Inventory	43,451
Nondepreciable Capital Assets	1,020,916
Depreciable Capital Assets, Net	33,239,380
<i>Total Assets</i>	<u>45,237,313</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	70,650
Pension:	
STRS	1,167,822
SERS	329,903
<i>Total Deferred Outflows of Resources</i>	<u>1,568,375</u>
Liabilities	
Accounts Payable	91,625
Accrued Wages and Benefits Payable	1,609,357
Intergovernmental Payable	491,692
Matured Compensated Absences Payable	84,934
Accrued Interest Payable	8,906
Long-Term Liabilities:	
Due Within One Year	628,165
Due In More Than One Year:	
Net Pension Liability (See Note 12)	20,775,851
Other Amounts Due in More than One Year	5,348,603
<i>Total Liabilities</i>	<u>29,039,133</u>
Deferred Inflows of Resources	
Property Taxes	3,044,889
Pension:	
STRS	3,157,027
SERS	602,337
<i>Total Deferred Inflows of Resources</i>	<u>6,804,253</u>
Net Position	
Net Investment in Capital Assets	29,571,925
Restricted for:	
Capital Projects	592,136
Debt Service	1,662,934
Other Purposes	632,840
Unrestricted (Deficit)	(21,497,533)
<i>Total Net Position</i>	<u>\$10,962,302</u>

See accompanying notes to the basic financial statements

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Statement of Activities

For the Fiscal Year Ended June 30, 2015

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,493,156	\$440,368	\$433,356	\$0	(\$7,619,432)
Special	3,113,385	0	939,483	0	(2,173,902)
Vocational	75,312	0	0	0	(75,312)
Other	1,477,816	0	41,959	0	(1,435,857)
Support Services:					
Pupils	843,417	0	215,577	0	(627,840)
Instructional Staff	553,948	0	9,233	0	(544,715)
Board of Education	20,004	0	0	0	(20,004)
Administration	1,885,744	0	94,832	0	(1,790,912)
Fiscal	494,480	0	0	0	(494,480)
Operation and Maintenance of Plant	1,994,421	0	0	0	(1,994,421)
Pupil Transportation	817,057	0	0	0	(817,057)
Central	23,778	0	0	0	(23,778)
Operation of Food Services	751,148	127,846	548,864	0	(74,438)
Extracurricular Activities	399,370	75,654	35,729	356,331	68,344
Interest and Fiscal Charges	229,588	0	0	0	(229,588)
<i>Total Governmental Activities</i>	<u>\$21,172,624</u>	<u>\$643,868</u>	<u>\$2,319,033</u>	<u>\$356,331</u>	<u>(17,853,392)</u>
General Revenues					
Property Taxes Levied for:					
					4,262,827
					355,688
					229,495
					76,497
Grants and Entitlements not					
					12,325,178
Investment Earnings					
					3,328
Miscellaneous					
					36,572
<i>Total General Revenues</i>					<u>17,289,585</u>
Change in Net Position					(563,807)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					11,526,109
<i>Net Position End of Year</i>					<u>\$10,962,302</u>

See accompanying notes to the basic financial statements

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Balance Sheet
Governmental Funds
June 30, 2015

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,369,819	\$1,754,070	\$1,022,005	\$6,145,894
Restricted Assets:				
Cash and Cash Equivalents	0	0	82,734	82,734
Accounts Receivable	1,981	0	0	1,981
Intergovernmental Receivable	0	0	82,319	82,319
Property Taxes Receivable	3,997,777	317,783	280,063	4,595,623
Inventory Held for Resale	0	0	25,015	25,015
Materials and Supplies Inventory	41,765	0	1,686	43,451
<i>Total Assets</i>	<u>\$7,411,342</u>	<u>\$2,071,853</u>	<u>\$1,493,822</u>	<u>\$10,977,017</u>
Liabilities				
Accounts Payable	\$72,706	\$0	\$18,919	\$91,625
Accrued Wages and Benefits Payable	1,429,164	0	180,193	1,609,357
Intergovernmental Payable	440,085	0	51,607	491,692
Matured Compensated Absences Payable	84,934	0	0	84,934
<i>Total Liabilities</i>	<u>2,026,889</u>	<u>0</u>	<u>250,719</u>	<u>2,277,608</u>
Deferred Inflows of Resources				
Property Taxes	2,658,487	203,829	182,573	3,044,889
Unavailable Revenue - Property Taxes	437,777	37,433	31,753	506,963
<i>Total Deferred Inflows of Resources</i>	<u>3,096,264</u>	<u>241,262</u>	<u>214,326</u>	<u>3,551,852</u>
Fund Balances				
Nonspendable	41,765	0	1,686	43,451
Restricted	0	1,830,591	1,056,738	2,887,329
Assigned	171,860	0	0	171,860
Unassigned (Deficit)	2,074,564	0	(29,647)	2,044,917
<i>Total Fund Balances</i>	<u>2,288,189</u>	<u>1,830,591</u>	<u>1,028,777</u>	<u>5,147,557</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$7,411,342</u>	<u>\$2,071,853</u>	<u>\$1,493,822</u>	<u>\$10,977,017</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015*

Total Governmental Fund Balances	\$5,147,557
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,260,296
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	506,963
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(17,064,661)
SERS	(3,711,190)
Total	(20,775,851)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	1,167,822
SERS	329,903
Total	1,497,725
Deferred inflows of resources related to pensions:	
STRS	(3,157,027)
SERS	(602,337)
Total	(3,759,364)
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	(8,906)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(3,150,000)
Capital Appreciation Bonds	(94,999)
Accretion on Bonds	(196,184)
Unamortized Premium on Bonds	(137,022)
Deferred Charge on Refunding	70,650
Energy Conservation Bond	(1,265,000)
Bleacher Loan	(112,000)
Compensated Absences	(1,021,563)
Total	(5,906,118)
<i>Net Position of Governmental Activities</i>	<u><u>\$10,962,302</u></u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$4,262,447	\$355,034	\$306,137	\$4,923,618
Tuition and Fees	439,574	0	0	439,574
Interest	3,188	0	140	3,328
Charges for Services	0	0	127,846	127,846
Extracurricular Activities	794	0	75,654	76,448
Contributions and Donations	35,729	0	356,331	392,060
Intergovernmental	12,149,235	63,594	2,404,489	14,617,318
Miscellaneous	35,972	0	600	36,572
<i>Total Revenues</i>	<u>16,926,939</u>	<u>418,628</u>	<u>3,271,197</u>	<u>20,616,764</u>
Expenditures				
Current:				
Instruction:				
Regular	6,637,430	0	382,563	7,019,993
Special	2,338,433	0	831,012	3,169,445
Vocational	74,773	0	0	74,773
Other	1,440,278	0	37,636	1,477,914
Support Services:				
Pupils	653,023	0	195,573	848,596
Instructional Staff	478,751	0	40,892	519,643
Board of Education	20,618	0	0	20,618
Administration	1,796,755	0	85,582	1,882,337
Fiscal	481,488	9,542	7,655	498,685
Operation and Maintenance of Plant	1,791,874	0	207,909	1,999,783
Pupil Transportation	719,172	0	77,832	797,004
Central	23,298	0	102	23,400
Operation of Food Services	0	0	720,276	720,276
Extracurricular Activities	291,227	0	87,186	378,413
Capital Outlay	0	0	348,681	348,681
Debt Service:				
Principal Retirement	115,000	350,000	56,000	521,000
Interest and Fiscal Charges	68,109	106,829	4,179	179,117
<i>Total Expenditures</i>	<u>16,930,229</u>	<u>466,371</u>	<u>3,083,078</u>	<u>20,479,678</u>
<i>Net Change in Fund Balances</i>	(3,290)	(47,743)	188,119	137,086
<i>Fund Balance Beginning of Year</i>	2,291,479	1,878,334	840,658	5,010,471
<i>Fund Balance (Deficit) End of Year</i>	<u>\$2,288,189</u>	<u>\$1,830,591</u>	<u>\$1,028,777</u>	<u>\$5,147,557</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds \$137,086

***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 depreciation exceeded capital outlay in the current period.

Capital Outlay	446,523
Current Year Depreciation	<u>(1,682,295)</u>

Total (1,235,772)

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

Assets Disposed	(418,096)
Accumulated Depreciation on Disposals	<u>244,930</u>

Total (173,166)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	889
Intergovernmental Grants	<u>(8,836)</u>

Total (7,947)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position.

521,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds & Loans	610
Accreted Interest on Capital Appreciation Bonds	(58,889)
Amortization of Bond Premiums	16,120
Amortization of Deferred Charge on Refunding	<u>(8,312)</u>

Total (50,471)

Governmental funds report district pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Direct pension contributions	
STRS	1,003,538
SERS	<u>298,317</u>

Total 1,301,855

Cost of benefits earned net of employee contributions

STRS	(788,372)
SERS	<u>(218,249)</u>

Total (1,006,621)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(49,771)

Change in Net Position of Governmental Activities

(\$563,807)

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$3,990,000	\$4,106,654	\$4,106,654	\$0
Tuition and Fees	416,284	438,899	438,899	0
Interest	3,009	3,188	3,188	0
Intergovernmental	11,479,475	12,155,372	12,155,372	0
Miscellaneous	10,441	11,063	11,063	0
<i>Total Revenues</i>	<u>15,899,209</u>	<u>16,715,176</u>	<u>16,715,176</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	6,588,201	6,924,211	6,589,482	334,729
Special	2,371,079	2,515,248	2,358,631	156,617
Vocational	73,070	73,893	73,151	742
Other	1,447,743	1,443,415	1,441,300	2,115
Support Services:				
Pupils	662,066	690,271	660,868	29,403
Instructional Staff	488,797	509,440	489,759	19,681
Board of Education	20,548	25,764	20,570	5,194
Administration	1,808,096	1,889,465	1,813,976	75,489
Fiscal	484,980	503,642	484,948	18,694
Operation and Maintenance of Plant	1,951,447	2,247,015	1,872,172	374,843
Pupil Transportation	744,280	821,062	732,870	88,192
Central	27,581	50,563	24,898	25,665
Extracurricular Activities	265,723	298,818	265,875	32,943
Debt Service:				
Principal Retirement	115,000	115,000	115,000	0
Interest and Fiscal Charges	68,109	68,109	68,109	0
<i>Total Expenditures</i>	<u>17,116,720</u>	<u>18,175,916</u>	<u>17,011,609</u>	<u>1,164,307</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,217,511)</u>	<u>(1,460,740)</u>	<u>(296,433)</u>	<u>1,164,307</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditure	0	123,756	123,756	0
Advances In	8,836	8,836	8,836	0
Advances Out	(8,836)	(8,836)	0	8,836
Transfers Out	(425)	(425)	0	425
<i>Total Other Financing Sources (Uses)</i>	<u>(425)</u>	<u>123,331</u>	<u>132,592</u>	<u>9,261</u>
<i>Net Change in Fund Balance</i>	<u>(1,217,936)</u>	<u>(1,337,409)</u>	<u>(163,841)</u>	<u>1,173,568</u>
<i>Fund Balance Beginning of Year</i>	<u>3,050,685</u>	<u>3,050,685</u>	<u>3,050,685</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>240,782</u>	<u>240,782</u>	<u>240,782</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,073,531</u>	<u>\$1,954,058</u>	<u>\$3,127,626</u>	<u>\$1,173,568</u>

See accompanying notes to the basic financial statements

Conneaut Area City School District

Ashtabula County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Private Purpose Trust	
	Scholarship	Agency
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$79,428	\$28,321
Current Liabilities		
Due to Students	0	\$28,321
Net Position		
Held in Trust for Scholarships	\$79,428	

See accompanying notes to the basic financial statements

Conneaut Area City School District

Ashtabula County, Ohio

*Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2015*

	<u>Scholarship</u>
Additions	
Interest	\$41
Deductions	
Scholarships Awarded	<u>750</u>
<i>Change in Net Position</i>	(709)
<i>Net Position Beginning of Year</i>	<u>80,137</u>
<i>Net Position End of Year</i>	<u><u>\$79,428</u></u>

See accompanying notes to the basic financial statements

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 – Description of the School District and Reporting Entity

Conneaut Area City School District (the “District”) is organized under Article VI, Section 2 of the Constitution and laws of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and federal guidelines.

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 58 square miles. It is located in Ashtabula County. It is staffed by 96 non-certified employees and 130 certified full-time teaching and administrative personnel who provide services to 1,760 students and other community members. The District currently operates four instructional buildings and a bus garage.

Reporting Entity

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

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

The District is associated with two jointly governed organizations and a risk sharing pool. These organizations are the Ashtabula County Technical & Career Center, the Northeast Ohio Management Information Network and the Ashtabula County Schools Council of Governments, which are presented in Notes 16 and 17 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Government-wide Financial Statements The statement of net position and statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements During the year, the School District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

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

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted, committed or assigned to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding and pension reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide of statement of net position (see Note 12).

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level for the general fund and at the fund level for all other funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object level within all funds, except the general fund, without resolution by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents." During the fiscal year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$3,188, which includes \$1,473 assigned from other District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

H. Capital Assets

The School District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand dollars for the current fiscal year. 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.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

Description	Estimated Lives
Land Improvements	5 - 10 years
Buildings and Improvements	20 - 50 years
Furniture & Equipment	8 - 20 years
Vehicles	10 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental columns of the statement of net position.

J. Internal Activity

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “Matured Compensated Absences Payable” in the fund or funds from which the employees who have accumulated the leave are paid.

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

M. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

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.

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

O. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

P. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

R. Estimates

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

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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

A. Change in Accounting Principles

For fiscal year 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, Statement No. 69, “Government Combinations and Disposals of Government Operations”, and Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The implementation of GASB 68 resulted in an overall restatement of beginning net position, as previously reported.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. Disclosures about government combinations and disposals of government operations are required to enable financial statement users to evaluate the nature and financial effects of those transactions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 71 resulted in an overall restatement of beginning net position, as previously reported.

B. Restatement of Prior Year Net Position

	<u>Governmental Activities</u>
Net Position at June 30, 2014, as Previously Reported	\$34,858,833
<i>Implementation of GASB 68 and GASB 71:</i>	
Net Pension Liability - STRS	(20,327,313)
Net Pension Liability - SERS	(4,360,700)
<i>Deferred Outflows - District's Contributions Made During Fiscal Year 2014</i>	
STRS	1,058,281
SERS	<u>297,008</u>
Adjusted Net Position at June 30, 2014	<u><u>\$11,526,109</u></u>

Conneaut Area City School District
Ashtabula County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 4 – Fund Deficits

Fund balances at June 30, 2015 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Early Childhood Education	\$15,047
Title I Fund	12,975
Class Size Reduction	1,371
Miscellaneous Federal Grants	254

The deficits in the special revenue funds are due to adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. *Certain funds have legally separate adopted budgets (budget basis) but are included in the General Fund (GAAP basis).

*As part of Governmental Accounting Standards Board No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds and capital projects funds are considered part of the General fund on a GAAP basis. This includes the public school support and workers’ compensation special revenue funds.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	(\$3,290)
Net Adjustment for Revenue Accruals	(120,661)
Advances In	8,836
Net Adjustment for Expenditure Accruals	35,892
Net Adjustment for Funds Budgeted as Special Revenue	32,654
Adjustment for Encumbrances	<u>(117,272)</u>
Budget Basis	<u><u>(\$163,841)</u></u>

Note 6 – Deposits and Investments

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. At June 30th, the carrying amount of all District deposits was \$987,389, while \$1,002,502 of the District's bank balance of \$1,252,502 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred give percent of the deposited being secured.

Investments

As of June 30, 2015, the District had STAR Ohio as the only investment with an amount of \$5,348,988 and an average maturity less than six months.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the treasurer or governing board or an agent designated by the treasurer or governing board.

Credit Risk STAR Ohio carries a rating of AAAm by Standard & Pool's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that addresses credit risk.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. At June 30, 2015, STAR Ohio represented 100 percent of all District investments.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2015:

<u>Cash and Investments per Note Disclosure</u>	
Carrying amount of deposits	\$987,389
Investments	5,348,988
Total	\$6,336,377
<u>Cash and Cash Equivalents per Statement of Net Position</u>	
Governmental activities	\$6,228,628
Private-purpose trust funds	79,428
Agency funds	28,321
Total	\$6,336,377

Note 7 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<i>Nonspendable</i>				
Inventory	\$41,765	\$0	\$1,686	\$43,451
<i>Restricted for</i>				
Food Service Operations	0	0	50,637	50,637
Classroom Maintenance	0	0	191,138	191,138
Debt Service Payments	0	1,830,591	0	1,830,591
Capital Improvements	0	0	568,321	568,321
Other Purposes	0	0	246,642	246,642
<i>Total Restricted</i>	0	1,830,591	1,056,738	2,887,329
<i>Assigned to</i>				
Other Purposes	124,921	0	0	124,921
Encumbrances	46,939	0	0	46,939
<i>Total Assigned</i>	171,860	0	0	171,860
<i>Unassigned (Deficit)</i>	2,074,564	0	(29,647)	2,044,917
<i>Total Fund Balances</i>	\$2,288,189	\$1,830,591	\$1,028,777	\$5,147,557

Conneaut Area City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 – Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represent collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2015 was \$901,513 in the general fund, \$76,521 in the bond retirement debt service fund, \$49,303 in the permanent improvement capital projects fund and \$16,434 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2014, was \$745,720 in the general fund, \$62,201 in the bond retirement debt service fund, \$41,092 in the permanent improvement capital projects fund and \$13,697 in the classroom facilities maintenance special revenue fund.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,467,343
Special	5,794
Vocational	1,847
Support Services:	
Pupil	1,308
Instructional Staff	39,631
Administration	1,336
Operation and Maintenance of Plant	26,735
Pupil Transportation	101,586
Central	378
Operation of Food Services	29,711
Extracurricular Activities	6,626
Total Depreciation Expense	<u><u>\$1,682,295</u></u>

Note 10 – Receivables

Receivables at June 30, 2015 consisted of accounts, taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Non-major Governmental Funds:	
Public School Preschool Grant	\$14,532
Title I Grant	45,853
Early Childhood Special Education	2,745
Improving Teacher Quality Grant	15,838
Miscellaneous Federal Grants	3,351
Total Intergovernmental Receivable	<u><u>\$82,319</u></u>

Note 11 – Other Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and the Treasurer earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 315 days, and for classified employees it is 300 days. For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay is entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 60 days for classified employees and for certified employees.

Insurance

Life insurance is offered to employees through Minnesota Life Insurance Company. Certified and classified employees are covered for \$40,000 with payments of \$4.20 per month. The superintendent is covered for \$150,000 with payments of \$15.75 per month. The treasurer is covered for \$100,000 with payments of \$10.50 per month.

Health Insurance Benefits

The District provides employee medical and surgical insurance, prescription drug, dental, and vision insurance through the Ashtabula County Schools Council of Governments.

Note 12 – Defined Benefit Pension Plans

A. Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had an effect on beginning net position as reported at June 30, 2014 (see Note 3). The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015*

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. School Employees Retirement System

Plan Description - District non-teaching employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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For the Fiscal Year Ended June 30, 2015

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$298,317 for the fiscal year ended June 30, 2015. Of this amount \$69,511 was reported as an intergovernmental payable.

C. State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,003,538 for the fiscal year ended June 30, 2015. Of this amount \$172,304 was reported as an intergovernmental payable.

D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,711,190	\$17,064,661	\$20,775,851
Proportion of the Net Pension Liability	0.07333000%	0.07015721%	
Pension Expense	\$218,249	\$788,372	\$1,006,621

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$31,586	\$164,284	\$195,870
District contributions subsequent to the measurement date	298,317	1,003,538	1,301,855
Total Deferred Outflows of Resources	\$329,903	\$1,167,822	\$1,497,725
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$602,337	\$3,157,027	\$3,759,364

\$1,301,855 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	(\$142,688)	(\$748,186)	(\$890,874)
2017	(142,688)	(748,186)	(890,874)
2018	(142,688)	(748,186)	(890,874)
2019	(142,687)	(748,185)	(890,872)
Total	(\$570,751)	(\$2,992,743)	(\$3,563,494)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation	4.00 Percent to 22 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.75 Percent Net of Investments Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

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	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$5,294,765	\$3,711,190	\$2,379,266

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan

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members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$24,429,923	\$17,064,661	\$10,836,128

Note 13 – Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$38,635.

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The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$61,965, \$39,511 and \$34,151, respectively. For fiscal year 2015, 68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$73,323, and \$73,971 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

Note 14 – Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
2011 Classroom Facilities Improvement Refunding Bonds:			
Capital Interest Serial Bonds	1.00% to 4.00%	\$4,535,000	2023
Capital Appreciation Bonds	4.00%	94,999	2016
Energy Conservation Improvement Bonds:			
Current Issue Term Bonds	5.15%	1,712,161	2023
2012 Bleacher Loan	3.00%	280,000	2017

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A summary of changes in long-term obligations for the year ended June 30, 2015, were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Amounts due in One Year
General Obligation Bonds:					
Classroom Facilities Improvement Refunding Bonds					
Serial Bonds	\$3,500,000	\$0	(\$350,000)	\$3,150,000	\$355,000
Capital Appreciation Bonds	94,999	0	0	94,999	0
Accretion	137,295	58,889	0	196,184	0
Premium	153,142	0	(16,120)	137,022	0
<i>Total Classroom Facilities Improvement Refunding Bonds</i>	<u>3,885,436</u>	<u>58,889</u>	<u>(366,120)</u>	<u>3,578,205</u>	<u>355,000</u>
Energy Conservation Improvement Bonds	1,380,000	0	(115,000)	1,265,000	115,000
<i>Total General Obligation Bonds</i>	<u>5,265,436</u>	<u>58,889</u>	<u>(481,120)</u>	<u>4,843,205</u>	<u>470,000</u>
Other Long-Term Obligations:					
Bleacher Loan	168,000	0	(56,000)	112,000	56,000
Compensated Absences	971,792	141,456	(91,685)	1,021,563	102,165
<i>Total Other Long-Term Obligations</i>	<u>1,139,792</u>	<u>141,456</u>	<u>(147,685)</u>	<u>1,133,563</u>	<u>158,165</u>
<i>Total Before Net Pension Liability</i>	<u>6,405,228</u>	<u>200,345</u>	<u>(628,805)</u>	<u>5,976,768</u>	<u>628,165</u>
Net Pension Liability:					
STRS	20,327,313	0	(3,262,652)	17,064,661	0
SERS	4,360,700	0	(649,510)	3,711,190	0
<i>Total Net Pension Liability</i>	<u>24,688,013</u>	<u>0</u>	<u>(3,912,162)</u>	<u>20,775,851</u>	<u>0</u>
Total Long-Term Obligations	<u>\$31,093,241</u>	<u>\$200,345</u>	<u>(\$4,540,967)</u>	<u>\$26,752,619</u>	<u>\$628,165</u>

On July 20, 2010, the District issued \$4,629,999 in general obligation bonds to refund the classroom facilities improvement bonds in order to take advantage of lower interest rates. The bonds included serial and capital appreciation (deep discount) bonds in the amount of \$4,535,000 and \$94,999, respectively. The bonds were issued for a fourteen year period with a final maturity at December 1, 2023. The accretion recorded for 2015 was \$58,889, for a total outstanding bond liability of \$291,183. The bonds will be retired from the debt service fund.

The bonds were sold at a premium of \$216,279. Net proceeds of \$4,741,516 were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2015, \$3,350,000 of the defeased bonds are still outstanding.

On September 1, 2010, the District issued \$1,712,161 in Energy Conservation Improvement bonds for the installation, modification, and remodeling of school buildings to conserve energy. The bonds are term bonds, have a final maturity date of December 1, 2025 and will be paid from the debt service fund. These bonds were Qualified School Construction Bonds (QSCBs) in accordance with the American Recovery and Reinvestment Act of 2009 (ARRA). These bonds are Direct Payment QSCBs.

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To the extent that the District fails to expend for federal tax law purposes all of the available project proceeds of the bonds within three years, the bonds shall be subject to extraordinary mandatory redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus any interest accrued to the redemption date, to preserve the Tax Status of the bonds as Direct Payment QSCBs.

The term bonds are subject to mandatory sinking fund redemption requirements on December 1 in the years and in the principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2012	\$110,000
2013	110,000
2014	115,000
2015	115,000
2016	115,000
2017	115,000
2018	115,000
2019	115,000
2020	115,000
2021	115,000
2022	115,000
2023	115,000
2024	115,000
	<u>\$1,485,000</u>

The remaining principal amount of the term bonds (\$1,380,000) will mature at the stated maturity on December 1, 2025.

On December 9, 2011, the District received a loan of \$280,000 from the Conneaut Savings Bank for the purpose of paying the remaining costs of the bleacher project. This loan will be repaid from donations received in local grant funds.

Compensated absences will be paid from the general fund and the food service, early childhood education, title VI-B, title I, classroom reduction and miscellaneous federal grants special revenue funds.

The District pays obligations related to employee compensation from the fund benefitting from their service.

The District's overall legal debt margin was \$16,817,127 with an unvoted debt margin of \$217,873 at June 30, 2015.

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Principal and interest requirements to retire general obligation bonds follow:

Fiscal Year	General Obligation Bonds						Bleacher Loan	
	Serial		Capital Appreciation		Term		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	\$355,000	\$99,423	\$0	\$0	\$115,000	\$62,187	\$56,000	\$2,520
2017	0	95,518	94,999	270,001	115,000	56,264	56,000	840
2018	365,000	90,043	0	0	115,000	50,341	0	0
2019	370,000	79,019	0	0	115,000	44,419	0	0
2020	385,000	67,212	0	0	115,000	38,496	0	0
2021-2025	1,675,000	128,441	0	0	575,000	103,646	0	0
2026-2028	0	0	0	0	115,000	2,961	0	0
Total	\$3,150,000	\$559,656	\$94,999	\$270,001	\$1,265,000	\$358,314	\$112,000	\$3,360

Note 15 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Schools of Ohio Risk Sharing Authority for various types of insurance. Coverage is as follows:

Coverage	Amount
Buildings and Business Property (\$1,000 Deductible)	\$84,741,212
Equipment Breakdown (\$1,000 Deductible)	50,000,000
Crime Coverage (\$1,000 Deductible)	100,000
Educator's Legal Liability (\$5,000 Deductible/Per Occurrence)	5,000,000
Automobile Liability (\$0 Deductible)	10,000,000
General Liability (\$0 Deductible)	15,000,000

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

Employee Medical Benefits

The District participates in the Ashtabula County Schools Council of Governments, a shared risk pool (Note 17) to provide employee medical/surgical, prescription drug, dental and vision benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. Certified employees pay monthly premiums in the amount of \$175 for family and \$67 for single coverage. Classified employees pay monthly premiums of \$87 for family and \$34 for single benefits.

Workers' Compensation

For fiscal year 2015, workers' compensation coverage is provided by the State of Ohio. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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Note 16 – Jointly Governed Organizations

Ashtabula County Technical & Career Center The Ashtabula County Career & Technical Center (A-Tech) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The A-Tech is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2015. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Technical & Career Center, 1565 State Route 167, Jefferson, Ohio 44047.

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among various school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Service Centers. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 17 – Public Entity Risk Pool

The District has contracted with the Ashtabula County Schools Council of Governments ("the Council") to provide employee medical/surgical, prescription drug, dental and vision benefits. The Council is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County School districts. Rates are set by the Council's board of directors. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Council is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District. The Council shall pay the run out claims for a withdrawing member. Any member which withdraws from the Council pursuant to the Council Agreement shall have no claim to the Council's assets.

Note 18 – Contingencies

A. Grants

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

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B. Litigation

The District is not party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2015, which would have a significant effect on the financial statements.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

Note 19 – Set Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by State statute.

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	297,555
Qualifying Disbursements	(49,343)
Current Year Offsets	<u>(337,958)</u>
Total	<u><u>(\$89,746)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>
Cash balance as of June 30, 2015	<u><u>\$0</u></u>

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

Conneaut Area City School District

Ashtabula County, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio (SERS)

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07333000%	0.07333000%
School District's Proportionate Share of the Net Pension Liability	\$3,711,190	\$4,360,700
School District's Covered-Employee Payroll	\$2,113,403	\$2,030,394
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	175.60%	214.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

Conneaut Area City School District

Ashtabula County, Ohio

Required Supplementary Information

Schedule of the School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio (STRS)

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.070157210%	0.070157210%
School District's Proportionate Share of the Net Pension Liability	\$17,064,661	\$20,327,313
School District's Covered-Employee Payroll	\$7,323,310	\$7,397,112
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	233.02%	274.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

Conneaut Area City School District

Ashtabula County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio (SERS)
Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$298,317	\$292,918	\$281,007
Contributions in Relation to the Contractually Required Contribution	(\$298,317)	(\$292,918)	(\$281,007)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$2,263,407	\$2,113,403	\$2,030,394
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%

(1) Information prior to 2013 available upon request.

Conneaut Area City School District

Ashtabula County, Ohio

*Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio (STRS)
Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$1,003,538	\$951,900	\$961,625
Contributions in Relation to the Contractually Required Contribution	(\$1,003,538)	(\$951,900)	(\$961,625)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$7,168,129	\$7,323,310	\$7,397,112
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%

(1) Information prior to 2013 available upon request.

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