



CONNEAUT SCHOOL DISTRICT

CONNEAUT SCHOOL DISTRICT
FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION
AND COMPLIANCE REPORTING
YEAR ENDED JUNE 30, 2017



McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Conneaut School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conneaut School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Conneaut School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Conneaut School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions, district's proportionate share of the net pension liability, and district's contributions for the pension plan on pages 4-10 and 49-51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conneaut School District basic financial statements. The supplemental schedule of special accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of Conneaut School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Conneaut School District's internal control over financial reporting and compliance.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Meadville, Pennsylvania

December 22, 2017

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The management's discussion and analysis of Conneaut School District (District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017. The intent of the discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to enhance their understanding of the District's financial performance.

Key Financial Highlights

Key financial highlights for the 2016-2017 fiscal year are as follows:

-In total, net position increased \$229,203. This was the result of an increase in net position relating to ordinary activities of \$253,275 and prior period adjustments resulting in a decrease of \$24,072. The net change in net position for governmental activities was an increase of \$313,214 and the net change in net position for business-type activities was a decrease of \$84,011.

-Total revenues were \$38.77 million, including \$1.07 million relating to business-type activities. General revenues accounted for \$16.24 million, or 42% of all revenue. Program specific revenues, in the form of charges for services and grants, accounted for \$22.52 million, or 58% of all revenue.

-The District incurred \$37.38 million in expenditures related to governmental activities and \$21.45 million of these expenditures were offset by program specific charges for services and grants. General revenues (primarily real estate taxes and subsidies) of \$16.23 million were sufficient to cover the rest of the expenditures, with a surplus of approximately \$250,000.

-At the end of the current fiscal year the unrestricted and unassigned fund balance of the general fund was \$3.00 million, or 8.0% of total general fund expenditures and other financing uses.

Using the Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Conneaut School District as a financial whole, that is, as one 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. In the case of the Conneaut School District, the general fund is by far the most significant fund.

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Reporting the School District as a Whole

Government-Wide Financial Statements

Statement of Net Position and Statement of Activities

While this document contains the various funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net position and changes in the position. This change in net position is important because it tells the reader whether for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some non-financial. Non-financial factors include the School District's property tax base, student enrollment, facility conditions, required education programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

-Government Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

-Business-Type Activities - These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The School District Food Service program is reported as business activity. The Governmental Funds Balance Sheet can be found on page 13 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the capital projects fund.

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance 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 that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance education programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are reconciled in the financial statements on pages 14 and 16, respectively.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The District as a Whole

The Statement of Net Position provides the perspective of the District as a whole.

A comparison of the District's net position for 2017 as compared to 2016 is as follows:

	Net Position (In Thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current assets	19,261	23,433	189	161	19,450	23,594
Noncurrent assets	37,856	34,737	93	128	37,949	34,865
Total assets	<u>57,117</u>	<u>58,170</u>	<u>282</u>	<u>289</u>	<u>57,399</u>	<u>58,459</u>
Deferred outflows of resources	8,493	3,375	-	-	8,493	3,375
Total assets and deferred outflows of resources	<u>65,610</u>	<u>61,545</u>	<u>282</u>	<u>289</u>	<u>65,892</u>	<u>61,834</u>
<u>Liabilities</u>						
Current liabilities	7,687	8,260	300	224	7,987	8,484
Noncurrent Liabilities	90,941	86,503	4	3	90,945	86,506
Total Liabilities	<u>98,628</u>	<u>94,763</u>	<u>304</u>	<u>227</u>	<u>98,932</u>	<u>94,990</u>
Deferred inflows of resources	1,124	1,176	-	-	1,124	1,176
Total liabilities and deferred inflows of resources	<u>99,752</u>	<u>95,939</u>	<u>304</u>	<u>227</u>	<u>100,056</u>	<u>96,166</u>
<u>Net Position (restated for 2017)</u>	<u>(34,142)</u>	<u>(34,394)</u>	<u>(22)</u>	<u>62</u>	<u>(34,164)</u>	<u>(34,332)</u>
Total liabilities, deferred inflows of resources, and net position	<u>65,610</u>	<u>61,545</u>	<u>282</u>	<u>289</u>	<u>65,892</u>	<u>61,834</u>

The Statement of Net Position is presented in full detail on page 11.

Total assets and deferred outflows of resources decreased by approximately \$4 million, primarily the result of a decrease in deferred outflows of resources.

From a short-term perspective (current assets and current liabilities), the District is in a strong position and has ample resources available to pay liabilities that are expected to arise in the next year. From a longer-term perspective (noncurrent assets and noncurrent liabilities), the District continues to face a shortfall of resources. Noncurrent assets are mostly comprised of fixed assets (\$33.88 million), which are reported net of accumulated depreciation. Noncurrent liabilities are mostly comprised of long term debt (\$35.95 million) and the net pension liability as reported under GASB #68 (\$48.32 million).

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The following table summarizes the Statement of Activities for the District at both June 30, 2017 and 2016:

	Statement of Activities (In Thousands)					
	All Governmental Fund Types					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Program/general revenues</u>						
Program revenues	21,453	20,454	1,071	1,089	22,524	21,543
General revenues	16,235	16,049	7	-	16,242	16,049
Total program and general revenue	37,688	36,503	1,078	1,089	38,766	37,592
<u>Expenditures</u>						
Instruction	20,944	21,112	-	-	20,944	21,112
Instructional student support	3,637	4,012	-	-	3,637	4,012
Administrative/financial support	2,816	3,226	-	-	2,816	3,226
Operations/maintenance	3,829	3,923	-	-	3,829	3,923
Student transportation	3,832	3,833	-	-	3,832	3,833
Student activities	730	798	-	-	730	798
Unallocated depreciation	-	-	-	-	-	-
Community services	15	21	-	-	15	21
Food service operations	-	-	1,138	1,151	1,138	1,151
Interest on long-term debt	1,633	1,679	-	-	1,633	1,679
Total expenditures	37,436	38,604	1,138	1,151	38,574	39,755
Change in net position	252	(2,101)	(60)	(63)	192	(2,163)
Beginning net position, as originally stated	(34,394)	(28,251)	62	(90)	(34,332)	(28,341)
Prior period restatement	-	(4,042)	(24)	215	(24)	(3,827)
Net position, end of period	<u>\$ (34,142)</u>	<u>\$ (34,394)</u>	<u>\$ (22)</u>	<u>\$ 62</u>	<u>\$ (34,164)</u>	<u>\$ (34,332)</u>

The Statement of Activities is presented in full detail on page 12.

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Governmental activities

Revenues arising from governmental activities increased by approximately \$1.19 million, or 3.25%. Expenditures decreased by approximately \$1.17 million, or 3.03%.

The District's reliance on state and federal grants and local tax revenues is apparent. A decrease in these revenues would have a direct impact on the level of local revenue needed to meet program expenses.

Business-type activities

Business-type activity consists only of the District's food service fund. This program had revenue of \$1.08 million and expenses of \$1.14 million. While this activity receives no support from tax revenue, this program receives federal and state grants and in-kind contributions of \$0.75 million. Without the support from the federal and state government, this operation would require support from local sources.

District's Funds

Financial information related to the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and net other financing sources of approximately \$37.73 million, and expenditures and net other financing uses of approximately \$37.34 million. The increase in fund balance of \$0.39 million mainly resulted from general fund revenues and other sources in excess of expenditures and other uses, offset by capital project fund spending. The general fund accounted for 99.98 percent of total revenues and net other financing sources and 99.99 percent of net expenditures and other financing uses.

General Fund Highlights

The School District's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the general fund. Major variations between the original budget and final budget are due to decreases in the expenses budgeted for several programs.

Budgeted revenue totaled approximately \$37.23 million. Actual revenue exceeded budgeted amounts by approximately \$0.48 million. This was primarily driven by an increase in state funding over what was expected and an improved collection of delinquent real estate taxes

Expenditures in the general fund were budgeted at a level of \$37.64 million compared to actual expenditures and other uses of \$37.32 million. A review of budget to actual expenditures indicates all expenditure categories were below budget in accordance with the PA School Code.

Capital asset and debt administration

Capital assets

At the end of fiscal year 2017, the School District had \$33.88 million invested in land, buildings, and equipment net of depreciation in the government-wide financial statements.

Debt administration

At June 30, 2017, the School District had approximately \$38.43 million in net bonds and capital lease obligations outstanding, with \$2.5 million due within one (1) year.

For additional information on bonds and notes, see Notes G and H to the financial statements.

At June 30, 2017, the School District's non-electoral limit for debt (225 percent of borrowing base) was approximately \$80.5 million, excluding existing and self-liquidating debt.

Conneaut School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

For the future

The financial outlook for the District continues to be uncertain. As the preceding information shows, the District heavily depends on its property taxpayers, and state and federal funding.

Despite having a healthy general fund balance which was increased during the 16/17 fiscal year, the District must continue to be fiscally conservative to ensure the least amount of impact on taxpayers and programming. The District realizes that PSERS continues to play a major role in its performance and budgeting. The employer contribution rate is projected by PSERS to increase from 30.03 percent in 2015-2016 to 36.32 percent in 2022-2023. In addition, special education costs are rising exponentially faster than the level of state reimbursement and cyber charter school tuition costs continue to climb. The District will have to continue to monitor the budget closely.

As of the date of this report, except as discussed in the preceding paragraphs, no other conditions are expected that would significantly impact the financial status of the District. Of course, stability and growth depend upon the general economic conditions, including the unemployment rate of the District's taxpayers. Crawford County's economy, like the entire economy of the United States of America, continues to be challenged by volatility. The cost of operations is anticipated to continue to increase, which may need to be funded by increasing property taxes, reducing the quantity and size of programs, or both.

Contacting the District's financial management

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Gregory Mayle at Conneaut School District, 219 West School Drive, Linesville, Pennsylvania 16424.

Conneaut School District
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash	\$ 14,011,489	\$ 59,948	\$ 14,071,437
Taxes receivable, net	2,003,707	-	2,003,707
Due from other governments	2,337,346	97,287	2,434,633
Due from other funds	238,015	8,695	246,710
Other receivables	536,439	222	536,661
Inventories	91,571	22,901	114,472
Prepaid expenses	42,174	-	42,174
Total current assets	<u>19,260,741</u>	<u>189,053</u>	<u>19,449,794</u>
Noncurrent assets			
Capital assets			
Land	99,472	-	99,472
Property, plant and equipment, net	33,781,656	92,658	33,874,314
Total capital assets	<u>33,881,128</u>	<u>92,658</u>	<u>33,973,786</u>
Investments	3,974,968	-	3,974,968
Total noncurrent assets	<u>37,856,096</u>	<u>92,658</u>	<u>37,948,754</u>
Total assets	<u>57,116,837</u>	<u>281,711</u>	<u>57,398,548</u>
Deferred outflows of resources			
Deferred pension outflows	7,569,117	-	7,569,117
Deferred amount on refunding, net	924,169	-	924,169
Total	<u>8,493,286</u>	<u>-</u>	<u>8,493,286</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities			
Due to other funds	8,695	238,015	246,710
Accounts payable	1,646,981	30,287	1,677,268
Current portion of capital lease payable	165,376	-	165,376
Accrued salaries and related payroll deductions	3,103,903	-	3,103,903
Accrued interest payable	234,352	-	234,352
Current portion of bonds payable	2,315,721	-	2,315,721
Unearned revenues	(12,003)	-	(12,003)
Other current liabilities	224,234	31,396	255,630
Total current liabilities	<u>7,687,259</u>	<u>299,698</u>	<u>7,986,957</u>
Noncurrent liabilities			
Capital lease payable	1,188,410	-	1,188,410
Bonds payable	34,761,642	-	34,761,642
Post-employment benefits	5,597,678	-	5,597,678
Pension liability	48,318,000	-	48,318,000
Compensated absences	1,014,047	3,625	1,017,672
Total noncurrent liabilities	<u>90,879,777</u>	<u>3,625</u>	<u>90,883,402</u>
Total liabilities	<u>98,567,036</u>	<u>303,323</u>	<u>98,870,359</u>
Deferred inflows of resources			
Deferred pension inflows	1,124,000	-	1,124,000
NET POSITION			
Invested in capital assets, net of related debt	(4,550,021)	92,658	(4,457,363)
Unrestricted	(29,530,892)	(114,270)	(29,645,162)
Total net position	<u>\$ (34,080,913)</u>	<u>\$ (21,612)</u>	<u>\$ (34,102,525)</u>

See accompanying notes to financial statements

Conneaut School District
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	\$ 20,882,412	\$ 7,153	\$ 17,366,488	\$ -	\$ (3,508,771)	\$ -	\$ (3,508,771)
Instructional student support	3,637,000	-	266,535	-	(3,370,465)	-	(3,370,465)
Administrative and financial support	2,815,994	-	340,730	-	(2,475,264)	-	(2,475,264)
Operation and maintenance of plant	3,829,434	-	137,303	-	(3,692,131)	-	(3,692,131)
Student transportation	3,832,054	-	2,532,542	-	(1,299,512)	-	(1,299,512)
Student activities	730,304	34,950	65,135	-	(630,219)	-	(630,219)
Community services	15,317	-	622	-	(14,695)	-	(14,695)
Interest on long-term debt	1,632,696	-	702,106	-	(930,590)	-	(930,590)
Total governmental activities	37,375,211	42,103	21,411,461	-	(15,921,647)	-	(15,921,647)
Business-type activities							
Food service	1,137,928	311,529	759,525	-	-	(66,874)	(66,874)
Total	\$ 38,513,139	\$ 353,632	\$ 22,170,986	\$ -	(15,921,647)	(66,874)	(15,988,521)
General revenues							
Property taxes					13,907,544	-	13,907,544
Per capita taxes					96,596	-	96,596
Realty transfer tax					200,841	-	200,841
Earned income taxes					1,379,712	-	1,379,712
Grants, subsidies and contributions not restricted					49,998	-	49,998
Investment earnings					49,592	204	49,796
Gain on disposal of assets					-	-	-
Miscellaneous income					557,309	-	557,309
Transfers (net)					(6,731)	6,731	-
Total general revenues					16,234,861	6,935	16,241,796
Change in net position					313,214	(59,939)	253,275
Net position, July 1, 2016, as originally stated					(34,394,127)	62,399	(34,331,728)
Prior period restatement (Note Q)					-	(24,072)	(24,072)
Net position, July 1, 2016, as restated					(34,394,127)	38,327	(34,355,800)
Net position, June 30, 2017					\$ (34,080,913)	\$ (21,612)	\$ (34,102,525)

See accompanying notes to financial statements

Conneaut School District
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Government Funds</u>
Assets			
Cash	\$ 13,079,157	\$ 932,332	\$ 14,011,489
Investments	3,974,968	-	3,974,968
Taxes receivable	2,209,760	-	2,209,760
Due from other governments	1,629,023	-	1,629,023
Due from other funds	238,015	-	238,015
Inventory	91,571	-	91,571
Other receivables	536,439	-	536,439
Prepaid expenses	42,174	-	42,174
Total assets	\$ 21,801,107	\$ 932,332	\$ 22,733,439
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 1,646,981	\$ -	\$ 1,646,981
Payroll deductions and withholdings	3,103,903	-	3,103,903
Accrued expenses	224,234	-	224,234
Due to other funds	8,695	-	8,695
Total liabilities	4,983,813	-	4,983,813
Deferred inflows of resources			
Unavailable revenue - property taxes	2,060,526	-	2,060,526
Fund balances			
Nonspendable	133,745	-	133,745
Committed	8,435,685	932,332	9,368,017
Restricted	23,596	-	23,596
Assigned	3,163,742	-	3,163,742
Unassigned	3,000,000	-	3,000,000
Total fund balances	14,756,768	932,332	15,689,100
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,801,107	\$ 932,332	\$ 22,733,439

See accompanying notes to financial statements

Conneaut School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds \$ 15,689,100

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$56,300,148 and the accumulated depreciation is \$22,419,020. 33,881,128

Deferred amount on refunding of bonds 924,169

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 2,574,799

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	(37,077,363)
Capital leases payable	(1,353,786)
Accrued interest on the bonds	(234,352)
Post-employment benefits	(5,597,678)
Net pension liability	(48,318,000)
Net pension deferred inflows and outflows	6,445,117
Compensated absences	(1,014,047)

Total net position - governmental activities \$ (34,080,913)

Conneaut School District
Statement of Revenues, Expenditures and
Changes in Fund Balance - All Governmental Fund Types
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Total Government Funds
Revenues and other financing sources			
Revenues			
Local sources	\$ 16,295,315	\$ 4,527	\$ 16,299,842
State sources	20,418,949	-	20,418,949
Federal sources	993,755	-	993,755
Other financing sources			
Sale of capital assets	2,930	-	2,930
Insurance recoveries	6,109	-	6,109
Other income	1,774	-	1,774
	<u>37,718,832</u>	<u>4,527</u>	<u>37,723,359</u>
Expenditures and other financing uses			
Expenditures			
Instruction	19,329,676	-	19,329,676
Support services	13,161,346	-	13,161,346
Operation of non-instructional services	772,679	-	772,679
Facilities acquisition and improvements	-	16,850	16,850
Other financing uses			
Debt service	4,047,856	-	4,047,856
Refund of prior years revenue	817	-	817
Interfund transfers	6,731	-	6,731
	<u>37,319,105</u>	<u>16,850</u>	<u>37,335,955</u>
Revenues and other financing sources over (under) expenditures and other financing uses	399,727	(12,323)	387,404
Fund balance, July 1, 2016	<u>14,357,041</u>	<u>944,655</u>	<u>15,301,696</u>
Fund balance, June 30, 2017	<u><u>\$ 14,756,768</u></u>	<u><u>\$ 932,332</u></u>	<u><u>\$ 15,689,100</u></u>

See accompanying notes to financial statements

Conneaut School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2017

Total net changes in fund balance - governmental funds \$ 387,404

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

Capital outlays are reported in governmental funds 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 outlays in the period.

Capital outlays	310,820	
Depreciation	1,166,668	(855,848)

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	2,220,000
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Repayment of lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	191,868
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Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount this year.	(25,814)
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Other - Change in compensated absences	(24,796)	
Change in deferred outflows and inflows of resources	5,226,770	
Change in post-employment benefits payable	(766,420)	
Change in pension liability	(6,042,000)	
Amortization of premium and discount	50,721	
Amortization of loss on refunding to interest expense	(56,671)	
Accrued interest on bonds	8,000	
		(1,604,396)

Change in net position of governmental activities	\$ 313,214
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See accompanying notes to financial statements

Conneaut School District
Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Variance - Original with Final Budget Positive (Negative)	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Budgetary Basis to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final					
Revenues							
Local revenue	\$ 15,605,412	\$ 15,605,412	\$ -	\$ 16,295,315	\$ 689,903	\$ (26,143)	\$ 16,269,172
State program revenue	19,922,672	19,922,672	-	20,418,949	496,277	-	20,418,949
Federal program revenue	1,615,611	1,615,611	-	993,755	(621,856)	-	993,755
Total revenues	37,143,695	37,143,695	-	37,708,019	564,324	(26,143)	37,681,876
Expenditures							
Instruction	19,569,772	19,406,682	163,090	19,329,676	77,006	1,552,736	20,882,412
Support services	13,041,754	13,316,910	(275,156)	13,161,346	155,564	934,310	14,095,656
Operation of non-instructional services	859,630	849,849	9,781	772,679	77,170	(8,232)	764,447
Facilities acquisition and improvements	-	-	-	-	-	-	-
Total expenditures	33,471,156	33,573,441	(102,285)	33,263,701	309,740	2,478,814	35,742,515
Excess (deficiency) of revenues over expenditures	3,672,539	3,570,254	(102,285)	4,444,318	874,064	2,452,671	1,939,361
Other financing sources (uses)							
Debt service	(4,023,401)	(4,045,500)	(22,099)	(4,047,856)	(2,356)	2,413,917	(1,633,939)
Refund of prior years revenue	(10,000)	(10,000)	-	(817)	9,183	-	(817)
Interfund transfers	-	(6,731)	(6,731)	(6,731)	-	-	(6,731)
Budgetary reserve	(131,115)	-	131,115	-	-	-	-
Other income	95,000	95,000	-	10,813	(84,187)	-	10,813
Total other financing sources (uses)	(4,069,516)	(3,967,231)	102,285	(4,044,591)	(77,360)	2,413,917	(1,630,674)
Net change in fund balances	(396,977)	(396,977)	-	399,727	796,704	4,866,588	308,687
Fund balance - July 1, 2016	-	-	-	-	-	(35,338,781)	(35,338,781)
Fund balance - June 30, 2017	\$ (396,977)	\$ (396,977)	\$ -	\$ 399,727	\$ 796,704	\$ (30,472,193)	\$ (30,072,466)

See accompanying notes to financial statements

Conneaut School District
Statement of Net Position
Proprietary Fund - Food Service
June 30, 2017

Assets

Current assets	
Cash	\$ 59,948
Due from other governments	97,287
Other receivables	222
Due from other funds	8,695
Inventories	<u>22,901</u>
Total current assets	<u>189,053</u>
Noncurrent assets	
Furniture and equipment	874,835
Accumulated depreciation	<u>(782,177)</u>
Total noncurrent assets	<u>92,658</u>
Total assets	<u>281,711</u>

Liabilities

Current liabilities	
Due to other funds	238,015
Accounts payable	30,287
Other current liabilities	<u>31,396</u>
Total current liabilities	<u>299,698</u>
Noncurrent liabilities	
Compensated absences	<u>3,625</u>
Total noncurrent liabilities	<u>3,625</u>
Total liabilities	<u>303,323</u>
Net position	
Invested in capital assets net of related debt	92,658
Unrestricted	<u>(114,270)</u>
Total net position	<u><u>\$ (21,612)</u></u>

See accompanying notes to financial statements

Conneaut School District
Statement of Revenues, Expenses and Change in Fund Net Position
Proprietary Fund - Food Service
For the Year Ended June 30, 2017

Operating revenue	
Food service revenue	\$ 311,529
Operating expenses	
Salaries	322,786
Employee benefits	166,932
Food purchases	15,649
Food management services	507,549
Repairs and maintenance	12,833
Supplies	69,125
Depreciation	38,392
Other expenses	4,662
Total operating expenses	<u>1,137,928</u>
Operating income (loss)	<u>(826,399)</u>
Nonoperating revenues (expenses)	
Local sources	454
State sources	84,802
Federal sources	674,473
Total nonoperating revenues	<u>759,729</u>
Net income (loss) before operating transfers	(66,670)
Operating transfers	<u>6,731</u>
Net income (loss)	(59,939)
Net position, July 1, 2016	62,399
Prior period adjustment (Note Q)	<u>(24,072)</u>
Net position, June 30, 2017	<u><u>\$ (21,612)</u></u>

See accompanying notes to financial statements

Conneaut School District
Statement of Cash Flows
Proprietary Fund Type
June 30, 2017

	<u>Food Service</u>
Cash flows from operating activities	
Cash received from users	\$ 312,251
Cash payments to employees for services	(489,718)
Cash payments to suppliers for goods and services	(609,237)
Cash payments for other operating expenses	(4,662)
Reduction on receivable from other fund	54,443
	<hr/>
Net cash provided by (used for) operating activities	(736,923)
	<hr/>
Cash flows from non-capital financing activities	
Local sources	454
State sources	85,076
Federal sources	675,168
Operating transfers in (out)	6,731
	<hr/>
Net cash provided by (used for) non-capital financing activities	767,429
	<hr/>
Cash flows from capital and related financing activities	
Purchase of fixed assets	(2,995)
	<hr/>
Net increase (decrease) in cash	27,511
Cash, July 1, 2016	32,437
	<hr/>
Cash, June 30, 2017	\$ 59,948
	<hr/> <hr/>
Cash flows from operating activities	
Operating income (loss)	\$ (826,399)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)	
Depreciation	38,392
(Increase) decrease in due from other funds	6,096
(Increase) decrease in other receivables	211
(Increase) decrease in inventories	(6,783)
Increase (decrease) in due to other funds	48,098
Increase (decrease) in accounts payable	(4,081)
Increase (decrease) in other current liabilities	7,294
Increase (decrease) in compensated absences	249
	<hr/>
Cash provided by (used for) total operating activities	\$ (736,923)
	<hr/> <hr/>

See accompanying notes to financial statements

Conneaut School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash	\$ 238,722	\$ 72,982
	<u> </u>	<u> </u>
Liabilities		
Due to student groups	-	72,982
	<u> </u>	<u> </u>
Net position		
Restricted for legal purposes	238,722	-
	<u> </u>	<u> </u>
Total net position	<u><u>\$ 238,722</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements

Conneaut School District
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Trust Funds</u>
Additions	
Investment earnings	\$ 976
Miscellaneous revenue	2,070
	<u>3,046</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Changes in net position	2,046
Net position, July 1, 2016	<u>236,676</u>
Net position, June 30, 2017	<u><u>\$ 238,722</u></u>

See accompanying notes to financial statements

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE A – ENTITY

Conneaut School District (School District), organized under the laws of the Commonwealth of Pennsylvania, is comprised of students from the municipalities of the Boroughs of Conneaut Lake, Linesville, Springboro and Conneautville and the Townships of East Fallowfield, West Fallowfield, Sadsbury, Spring, Summerhill, Pine, North Shenango, Greenwood, Conneaut, Beaver and Summit. The School District is operated by a nine-member Board. The board is split into three main regions (Linesville, Conneautville, and Conneaut Lake) and three members are elected by each region. The objective of the School District is to provide elementary and secondary education to the School District's students as prescribed by the laws and regulations of the Commonwealth of Pennsylvania.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Conneaut School District have been prepared in accordance with generally accepted accounting principles (GAAP). The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

Fund Account Structure

The accounts of the School District are maintained and the accompanying fund financial statements have been prepared using the accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania Department of School Systems (revised), issued by the Pennsylvania Department of Education in accordance of school laws of Pennsylvania.

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three broad fund categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate fund types.

Governmental Fund Types

These are the funds through which most governmental functions are furnished. The funds included in this category are:

General Fund

The general fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Fund

Capital projects funds are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlay (other than those financed by proprietary funds, special assessment funds and trust funds).

Debt Service Fund

The debt service fund accounts for the accumulation of financial resources for the payment of principal and interest on the School District's general obligation bonds and notes.

Proprietary Fund Types

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Food Service Fund is a proprietary fund.

Fiduciary Fund Types

Trust and agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include expendable trust and agency funds.

Activity funds account for programs operated and sponsored by various school clubs and organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Trust funds account for the awarding of scholarships and other accounts sponsored by individuals. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Government-wide Financial Statements – Basis of Presentation

Government-wide financial statements display information about the School District as a whole. The statement of net position and the statement of activities include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements – Basis of Presentation

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Basis of Presentation

Fund financial statements report detailed information about the School District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and, all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources affecting the statement of net position in the current year include the deferred amount on refunding. The deferred amount on refunding represents the difference between the reacquisition price and the net carrying amount of the old debt on the current year's advance refunding. The School District also has deferred outflows related to the pension reported on the statement of net position.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources affecting the governmental funds financial statements in the current year include unavailable revenues related to delinquent property taxes. The School District also has deferred inflows related to the pension reported on the statement of net position.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. *Nonspendable* fund balance category includes inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority),

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Assigned* fund balance category are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual category for the government's general fund and includes all spendable amounts not contained in the other classifications.

The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or 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 School 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. 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

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

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

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

Budgets

The School District is required by state laws to adopt annual budgets for the governmental funds. The budgets are presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

The budgetary information included in the financial statements is stated as adjusted by budget transfers made during the year.

Encumbrances

Encumbrances are recorded when purchase orders are approved and orders have been placed for goods or service. Outstanding purchase orders are classified as accounts payable at year end.

CONNEAUT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the statement of cash flows of its proprietary fund type, cash includes time deposits, certificates of deposit, and all highly liquid investments with original maturities of three months or less.

Inventories

Inventories are presented at the lower of cost or market on a first in, first-out basis, and are expensed when used (consumption method). The inventory of the Food Service Fund consists of materials and supplies, including food and donated commodities, which are valued at estimated cost. The inventory of the General Fund consists of copy paper purchased during the year ended June 30, 2017 for consumption in the following year. The cost is recorded as an expenditure at the time the inventory is consumed.

Capital Assets

General fund capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets, except for construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business Type Activities Estimated Lives</u>
Land Improvements	10-30 years	N/A
Buildings and improvements	25-40 years	N/A
Furniture, equipment and vehicles	5-20 years	5-10 years

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

School District employees are permitted to accumulate unused sick and personal time. Contract provisions require payment for this benefit upon retirement, death or disability based on a negotiated formula. At June 30, 2017, compensated absences were \$1,014,047 and \$3,625, for the general fund and food service fund, respectively.

Employees are allowed unlimited accumulation of unused sick days and upon retirement can elect to receive compensation as follows:

<u>Classification of Employees</u>	<u>Sick Pay Rate/Day</u>
Administration	\$100
Professional education	60-100
Support staff	50
Confidential secretaries	60
Food service managers	50

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by governments for postemployment benefits other than pensions (OPEB). It also improves information provided by governmental employers about financial support for OPEB that is provided by other entities. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

GASB 85 addresses practice issues identified during implementation and application of certain other GASB Statements. Specifically, the Statement addresses the timing and measurement of pension or OPEB liabilities and expenditures in the fund financial statements, OPEB supplementary information, and simplifying certain aspects of the OPEB alternative measurement method. This statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

Review of Subsequent Events

In preparing these financial statements, Conneaut School District has evaluated events and transactions for potential recognition or disclosure through December 22, 2017 the date the financial statements were available to be issued.

NOTE C – CASH AND CASH EQUIVALENTS

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. In addition to the investments authorized for Governmental Funds, Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate and other investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investment subject to custodial credit risk.

At June 30, 2017 the School District's deposits exceeded the \$250,000 Federal Depository Insurance Corporation limit by \$14,253,096 however, no losses occurred due to this situation. For the uninsured balances, the financial institution pledges U.S. Government Securities for these deposits in accordance with the Act of August 6, 1971 (P.L. 281 No. 72).

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE C – CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2017, the deposits (cash) of the School District consist of:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Food Service Fund</u>	<u>Trust Funds</u>	<u>Activity Fund</u>	<u>Total</u>
Bank balance	\$13,197,839	\$932,332	\$59,933	\$238,722	\$74,270	\$14,503,096
FDIC insured	(250,000)	-	-	-	-	(250,000)
Collateralized by securities held by the pledging financial institutions trust department	<u>(12,947,839)</u>	<u>(932,332)</u>	<u>(59,933)</u>	<u>(238,722)</u>	<u>(74,270)</u>	<u>(14,253,096)</u>
Non-collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carrying amount	<u>\$13,079,157</u>	<u>\$932,332</u>	<u>\$59,948</u>	<u>\$238,722</u>	<u>\$72,982</u>	<u>\$14,383,141</u>

NOTE D – TAX REVENUE AND RECEIVABLE

Property Tax

The School District's real property tax is based on the listed assessed value at January 1st and then levied July 1st of each year. The assessed valuation and millage rate for the year ended June 30, 2017 was as follows:

	<u>Assessable Base</u>	<u>Millage</u>
Crawford County	\$267,695,012	50.55

The School District Real Estate taxes are collected by the elected tax collector or treasurer of the political subdivision. The county determines assessed valuation and also acts as a delinquent tax collector. The taxes are levied on August 1st and are due December 31st. A 2% discount is permitted if paid prior to September 30th. A penalty of 10% is imposed after November 30th. The individual tax collectors settle and are exonerated for non-collections as of December 31st.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE D – TAX REVENUE AND RECEIVABLE

Taxes Receivable

Taxes receivable consist of the following at June 30, 2017:

Current revenues		
Delinquent real estate taxes		\$ 126,328
Real estate transfer tax		<u>22,906</u>
Total current tax revenue		<u>149,234</u>
Delinquent real estate taxes		
Delinquent real estate assessments		2,060,526
Estimated uncollectible allowance		<u>(206,053)</u>
Total delinquent real estate taxes		<u>1,854,473</u>
Total taxes receivable		<u>\$ 2,003,707</u>

The fund financial statements present real estate taxes recorded as revenue only when received in cash or when “susceptible to accrual,” outstanding delinquent real estate tax levies are offset on the balance sheet under deferred inflows of resources (unavailable revenue).

Delinquent real estate taxes receivable include the values ascribed thereto on the lien tax records of Crawford County totaling \$2,060,526. The amounts shown as receivable include unsatisfied items for levies of years through 2017. Uncollectible tax allowance is estimated to be ten percent of the face delinquent taxes.

NOTE E – DUE TO/FROM OTHER FUNDS

The due to/from other funds as of June 30, 2017 were as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 238,015	\$ 8,695
Food Service Fund	<u>8,695</u>	<u>238,015</u>
	<u>\$ 246,710</u>	<u>\$ 246,710</u>

CONNEAUT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE F – CAPITAL ASSETS

Proprietary Fund Type

The following is a summary of proprietary fund type capital assets at June 30, 2017:

	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/17</u>
Furniture and equipment	\$ <u>871,840</u>	\$ <u>2,995</u>	\$ <u>-</u>	\$ <u>874,835</u>

Depreciation expense during the year ended June 30, 2017 was \$38,392. Accumulated depreciation at June 30, 2017 was \$782,177.

Governmental Fund Type

The following is a summary of changes in capital assets during the fiscal year:

	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/17</u>
Land	\$ 99,472	\$ -	\$ -	\$ 99,472
Land improvements	1,494,439	-	-	1,494,439
Buildings and improvements	51,542,178	13,255	-	51,555,433
Furniture, equipment and vehicles	<u>2,853,239</u>	<u>297,565</u>	<u>-</u>	<u>3,150,804</u>
Total at Historical Cost	<u>55,989,328</u>	<u>310,820</u>	<u>-</u>	<u>56,300,148</u>

	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>06/30/17</u>
Less: Accumulated Depreciation				
Land improvements	(1,043,554)	(67,257)	-	(1,110,811)
Buildings and improvements	(18,191,062)	(903,903)	-	(19,094,965)
Furniture, equipment and vehicles	<u>(2,017,736)</u>	<u>(195,508)</u>	<u>-</u>	<u>(2,213,244)</u>
Total Accumulated Depreciation	<u>(21,252,352)</u>	<u>(1,166,668)</u>	<u>-</u>	<u>(22,419,020)</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,736,976</u>	<u>\$ (855,848)</u>	<u>\$ -</u>	<u>\$ 33,881,128</u>

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE F – CAPITAL ASSETS, (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction	\$165,667
Non-instructional	4,667
Operation and maintenance of plant	<u>996,334</u>
	<u>\$1,166,668</u>

Included in the cost above are assets acquired with capital leases in the amount of \$1,780,434 (Note G). Depreciation expense for those assets was \$115,446 for the year ended June 30, 2017.

NOTE G – CAPITAL LEASES

The following is a summary of changes in capital leases payable for the year ended June 30, 2017:

	<u>Balance</u> <u>06/30/16</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/17</u>
Capital Leases	<u>\$ 1,545,654</u>	<u>\$ -</u>	<u>\$ 191,868</u>	<u>\$ 1,353,786</u>

Capital lease obligations for the School District consist of three capital leases for equipment and software (Note F). The leases are secured by the equipment leased.

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>Total</u>
Capital lease with quarterly payments of \$29,760 through March 2030, interest at 2.80%	\$84,285	\$1,188,410	\$1,272,695
Capital lease with annual payments of \$26,260 through September 2017, interest at 2.97%.	25,502	-	25,502
Capital lease with annual payments of \$57,140 through June 2018, interest at 2.79%.	<u>55,589</u>	<u>-</u>	<u>55,589</u>
	<u>\$165,376</u>	<u>\$1,188,410</u>	<u>\$1,353,786</u>

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE G – CAPITAL LEASES (CONTINUED)

Maturities of capital leases are as follows:

June 30, 2018	\$202,441
June 30, 2019	119,040
June 30, 2020	119,040
June 30, 2021	119,040
June 30, 2022	119,040
June 30, 2023-2027	595,200
June 30, 2028-2030	<u>327,360</u>
	1,601,161
Less amounts representing interest	<u>(247,375)</u>
	<u>\$1,353,786</u>

NOTE H – LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct general obligations of the School District. Principal and interest payments are backed by the full faith, credit, and taxing authority of the School District.

On May 22, 2007 the School District issued \$27,003,055 General Obligation Bonds Series B of 2007. The bond pays interest ranging from 4% to 5% due on a semi-annual basis. The proceeds of the Series B bonds net of costs were used to refund the series of 2004 and 2005 bonds and the series of 2005 notes.

On August 14, 2012 the School District issued \$7,715,000 General Obligation Bonds Series of 2012. The bonds pay interest ranging from .7% to 3.3% due one a semi-annual basis. The proceeds of the bonds net of costs were used to refund the series of 2003 bonds and the series of 2000 notes.

On January 15, 2015 the School District issued \$10,000,000 General Obligation Bonds Series 2015. The bonds pay interest ranging from 2.000% to 3.375% due on a semi-annual basis. The proceeds of the bonds net of costs were used to advance refund the series 2007A bonds and to refund a portion of the series 2007B bonds.

On October 15, 2013 the School District issued \$6,955,000 General Obligation Note Series 2013. The note pays interest of 2.25% due on a semi-annual basis. The proceeds of the note net of costs were used to pay public and private debts.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE H – LONG-TERM DEBT (CONTINUED)

The following summarizes the maturities and interest payments for the bonds and notes payable as of June 30, 2017:

	<u>Balance at</u> <u>6/30/2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>6/30/2016</u>
Bond Series 2007B	\$ 17,155,000	\$ -	\$ 190,000	\$ 16,965,000
Bond Series 2012	6,540,000	-	750,000	5,790,000
Bond Series 2015	9,680,000	-	55,000	9,625,000
Note Series 2013	<u>5,055,000</u>	<u>-</u>	<u>1,225,000</u>	<u>3,830,000</u>
	<u>\$ 38,430,000</u>	<u>\$ -</u>	<u>\$ 2,220,000</u>	<u>\$ 36,210,000</u>

The following summarizes the maturities and interest payments for the bonds payable as of June 30, 2017:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,265,000	\$ 1,379,409	\$ 3,644,409
2019	2,315,000	1,325,693	3,640,693
2020	2,380,000	1,267,665	3,647,665
2021	2,505,000	1,185,351	3,690,351
2022	2,605,000	1,077,691	3,682,691
2023-2027	15,080,000	3,445,216	18,525,216
2028-2032	355,000	18,225,484	18,580,484
2033-2036	<u>8,705,000</u>	<u>7,563,028</u>	<u>16,268,028</u>
	<u>\$ 36,210,000</u>	<u>\$ 35,469,537</u>	<u>\$ 71,679,537</u>

Long-term liability activity for the year ended June 30, 2017 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Bonds Payable	\$38,430,000	\$ -	(\$2,220,000)	\$36,210,000	\$2,265,000
Unearned amounts					
Bond premium	1,007,035	-	(58,098)	948,937	58,098
Bond discount	<u>(88,951)</u>	<u>-</u>	<u>7,377</u>	<u>(81,574)</u>	<u>(7,377)</u>
	<u>\$39,348,084</u>	<u>\$ -</u>	<u>(\$2,270,721)</u>	<u>\$37,077,363</u>	<u>\$2,315,721</u>

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE I – FUND BALANCE REPORTING

Committed Fund Balance Policy

The School District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

The School Board committed funds for the future payment of obligations related to:

Future capital projects (Capital Projects Fund)	\$ 932,332
Future capital projects (General Fund)	5,502,262
Future PSERS increases (General Fund)	<u>2,933,423</u>
	<u>\$ 9,368,017</u>

Assigned Fund Balance Policy

The School District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Business Manager, as follows:

Fiscal year 2017/2018 budget	\$ 2,708,346
Fiscal year 2018/2019 budget	<u>455,396</u>
	<u>\$ 3,163,742</u>

The 2017-2018 budget, which was adopted by the School Board, contains a projected use of \$2,708,346 of general fund balance for the projected operating deficit. Consequently, at June 30, 2017 the total amount assigned for next year's projected operating deficit is \$2,708,346.

NOTE J – DEFINED BENEFIT PENSION PLAN

1. Summary of Significant Accounting Policies

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 Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms; investments are reported at fair value.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$3,102,000 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability \$48,318,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .0975%, which was a decrease of .0001% from its proportion measured as of June 30, 2015.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the District recognized pension expense of \$5,196,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	(\$ 402,000)
Changes in assumptions	1,744,000	-
Net difference between projected and actual investment earnings	2,693,000	-
Changes in proportions	1,145,000	(722,000)
Difference between employer contributions and proportionate share of total contributions	879,000	-
Contributions subsequent to the measurement date	<u>108,117</u>	<u>-</u>
	<u>\$ 7,569,117</u>	<u>(\$ 1,124,000)</u>

\$108,117 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$1,584,250
2019	1,584,250
2020	1,584,250
2021	1,584,250

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and-inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

CONNEAUT SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14%)	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	<u>1 % Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Rate Increase 8.25%</u>
District's proportionate share of the net pension liability	<u>\$59,106,000</u>	<u>\$48,318,000</u>	<u>\$39,253,000</u>

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE J – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE K – POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the Pension benefits described in Note L, the School District provides post-employment health, dental, vision insurance, and prescription drug benefits through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the School Board and Pennsylvania Act 110. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the School District's general fund.

Benefit coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2017, 121 retired employees are covered by health insurance.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs of the retirees are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The School District's annual Other Post Employment Benefit ("OPEB") cost is calculated based on the annual required contribution of the employees ("ARC"), an amount actually determined in accordance with the parameters of GASB Statement No. 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actually determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE K – POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table shows the component of the School District’s annual OPEB cost for the year, the amount actually contributed, and changes in the School District’s net OPEB obligation:

Annual required contribution	\$ 1,402,891
Adjustment to ARC	<u>(300,389)</u>
Annual OPEB cost	<u>\$ 1,102,502</u>
Annual OPEB cost	\$ 1,102,502
Contribution made	<u>(336,412)</u>
Increase in net OPEB obligation	\$ 766,090
Net OPEB obligation from prior year	<u>4,893,021</u>
Total post-employment benefit obligation	<u>\$ 5,597,678</u>

Other information:

Actuarial valuation was performed as of July 1, 2016

Actuarial value of plan assets	\$ -
Actuarial accrued liability	12,024,172
Total unfunded actuarial accrued liability	12,024,172
Annual payroll for active participants	11,764,604
Ratio of unfunded accrued liability to covered payroll	102.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projects of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE K – POST-EMPLOYMENT BENEFITS (CONTINUED)

The ARC for the current year was computed as of July 1, 2016 using the following actuarial assumptions: (1) actuarial cost method entry age normal; (2) 4.50% discount rate compounded annually; (3) rates of withdrawal vary by age, gender, and years of service; (4) separate rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation; (5) assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender; and (6) the healthcare cost trend rate is 6.5% in 2016, decreasing .5% per year to an ultimate rate of 6.0% in 2017, and 5.5% in 2018 through 2020. Rates gradually decrease from 5.4% in 2021 to 3.8% in 2075. The Social Actuaries Long-run Medical Cost Trend Model was used to develop the healthcare cost trend.

NOTE L – FOOD SERVICE FUND

The Food Service Fund adheres to the Pennsylvania Department of Education prescribed modified enterprise fund method of accounting. Under this full accrual method of accounting, donated commodities received by the Food Service Fund are included in inventory at cost figures provided by the Pennsylvania Department of Agriculture.

The School District does not attempt to allocate “building-wide costs” to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize cost for the building space it occupies (no rental of facilities expense).

At June 30, 2017 the Food Service Fund working capital was (\$114,270).

NOTE M – JOINT VENTURES

The School District is one of the member districts of Crawford County Career and Technical Center (CCCTC). Each District elects three members to the operating committee of CCCTC. Each District is responsible for a portion of CCCTC’s operating budget based on student enrollment. For the year ended June 30, 2017, the School District’s share was \$799,332 towards the operating budget and \$162,989 towards the debt. These amounts are recorded as an expense of the general fund.

Member Districts	<u>ADM%</u>	<u>Total ADM Expenditures</u>
Conneaut	25.46	\$ 799,332
Crawford	40.22	1,061,839
Penncrest	<u>34.32</u>	<u>1,239,649</u>
	<u>100.00</u>	<u>\$ 3,100,820</u>

CONNEAUT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE M – JOINT VENTURES (CONTINUED)

The districts pay eight installments to the CCCTC based on the expenditures in the CCCTC's annual budget. The difference between the payments made and the actual expenditures, as computed above, is refunded or paid back to the home schools at year end as necessary. Audited financial statements for the year ended June 30, 2017 for the CCCTC are available at its business office.

The School District is a participating member of the Northwest Tri-County Intermediate Unit (I.U.). All member districts operate under an agreement to proportionately pay for the cost of commonly shared services. The cost for operating costs is deducted from the school district subsidy each year. Conneaut School District's proportionate share totaled \$53,316 for 2016-2017. The School District also contracts with the I.U. to provide special education services. The total charge for services provided by the I.U. was \$882,409 for the 2016-2017 fiscal year. Audited financial statements for the year ended June 30, 2017 for the Northwest Tri-County Intermediate Unit are available at its business office.

NOTE N – CONCENTRATION OF REVENUE

Of the School District's total general fund's receipts, approximately 41% and 57% are derived from taxes and federal and state subsidies/grants, respectively for the fund financial statements and 41% and 57% are derived for the government-wide financial statements. Taxes consist of the collection of real estate, income and other taxes. Federal and state subsidies/grants consist of operating subsidies and grants used to finance the programs and operations of the School District.

NOTE O – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District currently reports its risk management activities in the general fund.

The School District carries commercial insurance for all types of loss, including workers' compensation. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE P – CONTINGENT LIABILITIES

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

CONNEAUT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE Q – RESTATEMENT

The following prior period restatements affect the fund financial statements:

Proprietary Fund

Unearned revenues – commodities were understated by \$16,118, resulting in an decrease in beginning fund balance.

Accounts receivable were understated by \$30, resulting in an increase in beginning fund balance.

Unearned revenues were understated by \$7,984, resulting in a decrease in beginning fund balance.

The cumulative decrease in fund balance at June 30, 2016 was \$24,072.

NOTE R – RELATED PARTY TRANSACTIONS

The second largest real estate taxpayer in the school district is a school board member.

Conneaut School District
Schedule of Funding Progress and Employer Contributions
For the Year Ended June 30, 2017

The schedules of Funding Progress and Employer Contributions related to Other Post Employment Benefit Plan (OPEB) are as follows:

SCHEDULE OF FUNDING PROGRESS

(\$000's)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ration (a / b)	Covered Payroll (c)	UAL as of Percentage of Covered Payroll ((b - a) / c)
July 1, 2016	\$-0-	\$12,024	\$12,024	0.0%	\$11,765	102.21%
December 1, 2013	\$-0-	\$9,911	\$9,911	0.0%	\$11,453	86.53%
December 1, 2011	\$-0-	\$10,190	\$10,190	0.0%	\$12,229	83.33%

See independent auditor's report

Conneaut School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0975%	0.0976%	0.1003%	0.0936%
District's proportionate share of the net pension liability	\$ 48,318,000	\$ 42,276,000	\$ 39,700,000	\$ 38,316,000
District's covered-employee payroll	\$ 12,626,661	\$ 12,556,613	\$ 12,797,440	\$ 12,013,374
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.67%	336.68%	310.22%	318.94%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

Notes:

The District is required to present the information for the last ten fiscal years. Additional years will be displayed as they become available.

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

See independent auditor's report

Conneaut School District
Schedule of District Contributions for the Pension Plan
Year ended June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,102,000	\$ 2,520,000	\$ 3,992,000	\$ 1,904,744
Contributions in relation to the contractually required contribution	<u>3,102,000</u>	<u>2,520,000</u>	<u>3,992,000</u>	<u>1,904,744</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,626,661	\$ 12,556,613	\$ 12,797,440	\$ 12,013,374
Contributions as a percentage of covered-employee payroll	24.57%	20.07%	31.19%	15.86%

Notes to Schedule:

Changes of benefits terms:

There were no changes of benefit terms for the year ended June 30, 2017.

Changes of assumptions:

- 1) The Investment Rate of Return was adjusted from 7.50% to 7.25%
- 2) The inflation assumption was decreased from 3.0% to 2.75%
- 3) Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- 4) Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

Notes:

The District is required to present the information for the last ten fiscal years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

Conneaut School District
Activity Funds
Schedule of Fiduciary Net Position
June 30, 2017

	<u>Conneaut Lake Middle School</u>	<u>Conneaut Area High School</u>	<u>Conneaut Valley Middle School</u>	<u>Total</u>
Assets				
Cash	<u>\$ 8,156</u>	<u>\$ 51,543</u>	<u>\$ 13,283</u>	<u>\$ 72,982</u>
Liabilities				
Due to student groups	<u>8,156</u>	<u>51,543</u>	<u>13,283</u>	<u>72,982</u>
Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditor's report

Conneaut School District
 Trust Funds
 Schedule of Trust Funds

NET POSITION
 June 30, 2017

Assets		
Cash		\$ 238,722
		<u>238,722</u>
Net Position		
Restricted for legal purposes		\$ 238,722
		<u>238,722</u>

SCHEDULE OF REVENUES AND EXPENDITURES
 For the Year Ended June 30, 2017

	Net Position June 30, 2016	Revenues	Expenditures	Net Position June 30, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Henretta Memorial Library Building Fund	\$ 139,693	\$ 2,407	\$ -	\$ 142,100
Linesville-Conneaut-Summit High School Memorial /Scholarship Fund	61,479	201	1,000	60,680
Custodial Funds	35,504	438	-	35,942
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	<u>\$ 236,676</u>	<u>\$ 3,046</u>	<u>\$ 1,000</u>	<u>\$ 238,722</u>

See independent auditor's report



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors of the
Conneaut School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Conneaut School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Conneaut School District's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Conneaut School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Conneaut School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Conneaut School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conneaut School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

December 22, 2017

Meadville, Pennsylvania



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors of the
Conneaut School District

Report on Compliance for Each Major Federal Program

We have audited Conneaut School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conneaut School District’s major federal programs for the year ended June 30, 2017. Conneaut School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Conneaut School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conneaut School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conneaut School District’s compliance.

Opinion on Each Major Federal Program

In our opinion, Conneaut School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Conneaut School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Conneaut School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Conneaut School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

December 22, 2017
Meadville, Pennsylvania

Conneaut School District
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2017

Grantor Program Title	CFDA Number	Grantor Contract Number	Grant Period Beginning/Ending Date	Total Received For Year	Accrued (Deferred) Revenue 7/1/2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue 6/30/2017
U.S. Department of Education								
Passed through PA Dept. of Education								
Title I Grants to Local Educational Agencies	84.010	013-160098	07/01/15-09/30/16	\$ 217,748	\$ 75,890	\$ 141,858	\$ 141,858	\$ -
Title I Grants to Local Educational Agencies	84.010	013-170098	07/01/16-09/30/17	526,175	-	615,034	615,034	88,859
				F 743,923	75,890	756,892	756,892 *	88,859
Improving Teacher Quality State Grants	84.367	020-160098	07/01/15-09/30/16	60,158	(87,203)	147,361	147,361	-
Improving Teacher Quality State Grants	84.367	020-170098	07/01/16-09/30/17	47,757	-	26,797	26,797	(20,960)
				F 107,915	(87,203)	174,158	174,158	(20,960)
				851,838	(11,313)	931,050	931,050	67,899
Passed through Northwest Tri-County Intermediate Unit # 5								
Special Education - Grants to States (IDEA, Part B)	84.027	062-16-004	07/01/15-06/30/16	17,585	17,585	-	-	-
Special Education - Grants to States (IDEA, Part B)	84.027	062-17-005	07/01/16-06/30/17	523,939	-	462,034	462,034	(61,905)
				F 541,524	17,585	462,034	462,034	(61,905)
Total U.S. Department of Education				1,393,362	6,272	1,393,084	1,393,084	5,994
U.S. Department of Agriculture								
Passed through PA Dept. of Education								
School Breakfast Program (SBP)	10.553	365	07/01/15-06/30/16	25,520	25,520	-	-	-
School Breakfast Program (SBP)	10.553	365	07/01/16-06/30/17	135,882	-	162,195	162,195	26,313
				F 161,402	25,520	162,195	162,195	26,313
National School Lunch Program (NSLP)	10.555	362	07/01/15-06/30/16	67,144	67,144	-	-	-
National School Lunch Program (NSLP)	10.555	362	07/01/16-06/30/17	390,106	-	455,763	455,763	65,657
				F 457,250	67,144	455,763	455,763	65,657
School Breakfast Program	N/A	511/513	07/01/15-06/30/16	1,510	1,510	-	-	-
School Breakfast Program	N/A	511/513	07/01/16-06/30/17	7,993	-	9,534	9,534	1,541
National School Lunch Program	N/A	510/512	07/01/15-06/30/16	4,082	4,082	-	-	-
National School Lunch Program	N/A	510/512	07/01/16-06/30/17	22,568	-	26,344	26,344	3,776
				S 36,153	5,592	35,878	35,878	5,317
U.S. Department of Agriculture								
Passed through PA Dept. of Agriculture								
Value of USDA Donated Commodities	10.555	N/A	07/01/16-06/30/17	F 63,083	(16,118)	56,300	56,300	(22,901)
Total U.S. Department of Agriculture				717,888	82,138	710,136	710,136	74,386
U.S. Department of Health and Human Services								
Passed through PA Dept. of Education								
Medical Assistance - Administration	93.778	N/A	07/01/16-06/30/17	F 10,434	-	10,434	10,434	-
Total U.S. Department of Health and Human Services				10,434	-	10,434	10,434	-

<u>Grantor Program Title</u>	<u>CFDA Number</u>	<u>Grantor Contract Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Total Received For Year</u>	<u>Accrued (Deferred) Revenue 7/1/2016</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 6/30/2017</u>
Total Expenditures of Federal and State Awards				<u>\$ 2,121,684</u>	<u>\$ 88,410</u>	<u>\$ 2,113,654</u>	<u>\$ 2,113,654</u>	<u>\$ 80,380</u>

F Federal program
S State program

Coverage Test:
Programs Tested 756,892
Total Federal Expenditures 2,077,776

* Selected for Testing = 36%

Footnotes to Schedule

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state grant activity of the Conneaut School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Conneaut School District, it is not intended to and does not present the net position or changes in net position of Conneaut School District.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Conneaut School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Federal Revenues

The funds passed through Northwestern Tri-County Intermediate Unit are required to be reported as local revenue source per Pennsylvania Department of Education guidelines, and are reported as local on the Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.

CONNEAUT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

I. SUMMARY OF AUDITORS' RESULTS:

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal program:

Title I Grants to Local Educational Agencies – CFDA No. 84.010

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None Reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported.