

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2014

TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTAL INFORMATION

**Black, Bashor & Porsch, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Brenda L. McCall, CPA  
Brandon J. Mirizio, CPA  
Jack F. Kuchcinski, CPA

To the Members of the Board:

We have performed the single audit of the Conneaut School District for the fiscal year ended June 30, 2014, and have enclosed the single audit reporting package.

The single audit was done to fulfill the requirements described in the "U.S. Office of Management and Budget" (OMB) Circular A-133. It entailed: (1) an audit of the basic financial statements and our opinion thereon; (2) a review of compliance based on an audit of the basic financial statements and on internal control over financial reporting; (3) an audit of the schedule of expenditures of federal awards and our opinion thereon; (4) a study and evaluation of internal controls based on a study and evaluation of the federal financial assistance programs.

In connection with our audit, we have issued a management recommendation letter for the year ended June 30, 2014.

*Black Bashor & Porsch LLP*

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Sharon, Pennsylvania  
October 1, 2014

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Jack F. Kuchcinski, CPA

**TO WHOM IT MAY CONCERN:**

The distribution of the Conneaut School District financial statements consists of the following:

Conneaut School District Board of Directors

Superintendent

Business Manager/Board Secretary

Intermediate Unit #5  
252 Waterford Street  
Edinboro, Pennsylvania 16412 - (One copy)

Electronically  
Filed

Federal Audit Clearinghouse  
1201 East 10th Street  
Jeffersonville, Indiana 47132

Electronically  
Filed

Bureau of Audits  
Forum Place  
8th Floor  
555 Walnut Street  
Harrisburg, Pennsylvania 17101

*Black Bashor & Porsch LLP*

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Sharon, Pennsylvania  
October 1, 2014

CONNEAUT SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Conneaut School District  
Linesville, Pennsylvania 16424

Ladies and Gentlemen:

**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 the Conneaut School District, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Conneaut School District, Pennsylvania, management. Our responsibility is to express opinions on these financial statements based on our audit.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Conneaut School District, Pennsylvania, 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.

**AUDITORS' 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 basic financial statements are free of 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 auditors' 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 auditors consider internal control relevant to the School District'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 School District'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, Pennsylvania, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

#### EMPHASIS OF MATTER

As discussed in Note "21" to the financial statements, in 2014, the School District adopted new accounting guidance. Our opinion is not modified with respect to this matter.

#### OTHER MATTERS

In accordance with "Government Auditing Standards", we have also issued our report dated October 1, 2014, on our consideration of Conneaut School District, Pennsylvania, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and retiree health plan information on pages 4 to 11, 64 to 65, and 66, respectively, be presented to



Conneaut School District

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conneaut School District, Pennsylvania, basic financial statements. The statistical supplemental information in Exhibit "Y" is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and the supplemental schedules and related information identified in the table of contents as supplementary information, except for Exhibit "Y" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Black Bashor & Porsch LLP*

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Sharon, Pennsylvania  
October 1, 2014

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

The discussion and analysis of the Conneaut School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2014. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 are as follows:

- In total, net position decreased \$ 200 thousand. Net position of governmental activities decreased by \$ 108 thousand and net position of business-type activities decreased by \$ 92 thousand.
- Total revenues were \$ 36.8 million, including \$ 1.1 million of business-type activities. General revenues accounted for \$ 26.9 million in revenue, or 73 percent of all revenues. Program specific revenues, in the form of charges for services and grants, accounted for \$ 9.9 million, or 27 percent of total revenues.
- The School District had \$ 35.8 million in expenses related to governmental activities, \$ 8.8 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$ 26.9 million were insufficient to cover the rest of the expenses, resulting in a decrease in net assets of \$ 108 thousand.
- At the end of the current fiscal year, the unrestricted, unassigned fund balance of the general fund was \$ 2.9 million or 8.3 percent 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, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and 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 School 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, 2014

UNAUDITED

REPORTING THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and the 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 2014?" The Statement of Net Position and the Statement of Activities answer the 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 (2) statements report the School District's net assets and changes in those assets. This change in net position is important because it tells the reader that, 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 not. 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 (2) 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 pages 15 and 16 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 15. 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, the debt service fund, and the capital projects fund.

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

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 17 and 20, 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.

THE SCHOOL DISTRICT AS A WHOLE

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

A comparison of the School District's net position for 2014 compared to 2013 is as follows:

	<u>NET POSITION (IN THOUSANDS)</u>					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>						
Cash and Cash Equivalents	\$ 15,755	\$ 15,913	\$ 133	\$	\$ 15,888	\$ 15,913
Taxes Receivable, Net	2,315	2,538			2,315	2,538
Due from Other Governments	1,710	1,370	106	177	1,816	1,547
Other Receivables	15	14			15	14
Inventories	97	90	11	14	108	104
Prepaid Expense	50	22			50	22
Net Capital Assets	50,229	50,971	9	21	50,238	50,992
Long-Term Portion - Due from Other Governments	574	510			574	510
<u>TOTAL ASSETS:-</u>	<u>\$ 70,745</u>	<u>\$ 71,428</u>	<u>\$ 259</u>	<u>\$ 212</u>	<u>\$ 71,004</u>	<u>\$ 71,640</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 70,745</u>	<u>\$ 71,428</u>	<u>\$ 259</u>	<u>\$ 212</u>	<u>\$ 71,004</u>	<u>\$ 71,640</u>

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

	NET POSITION (IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>LIABILITIES:-</u>						
Accounts Payable	\$ 1,238	\$ 1,398	\$ 67	\$ 53	\$ 1,305	\$ 1,451
Current Portion Long-Term Debt (Net)	2,169	1,893			2,169	1,893
Retainage Payable	1	32			1	32
Accrued Salaries and Benefits	2,759	2,455			2,759	2,455
Current Portion Accrued Interest	265	301			265	301
Prepayments	203	210			203	210
Bonds Payable (Net)	48,539	50,307			48,539	50,307
Obligations Under Capital Lease	149	269			149	269
Compensated Absences	1,226	1,380	6	5	1,232	1,385
Accrued Interest Expense	3,009	2,514			3,009	2,514
Other Post-Employment Benefits	3,564	2,883	41	30	3,605	2,913
Unearned Revenue	6	6			6	6
Internal Balances	(164)	(51)	164	51	0	0
<u>TOTAL LIABILITIES:-</u>	<u>\$ 62,964</u>	<u>\$ 63,597</u>	<u>\$ 278</u>	<u>\$ 139</u>	<u>\$ 63,242</u>	<u>\$ 63,736</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>						
Deferred Amount on Refunding	\$ (1,094)	\$ (1,152)	\$ 0	\$ 0	\$ (1,094)	\$ (1,152)
<u>TOTAL DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ (1,094)</u>	<u>\$ (1,152)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,094)</u>	<u>\$ (1,152)</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 61,870</u>	<u>\$ 62,445</u>	<u>\$ 278</u>	<u>\$ 139</u>	<u>\$ 62,148</u>	<u>\$ 62,584</u>
<u>NET POSITION:-</u>						
Net Investment in Capital Assets	\$ 467	\$ 234	\$ 9	\$ 21	\$ 476	\$ 255
Restricted	1,309	2,115			1,309	2,115
Unrestricted	7,099	6,634	(28)	52	7,071	6,686
<u>TOTAL NET POSITION:-</u>	<u>\$ 8,875</u>	<u>\$ 8,983</u>	<u>\$ (19)</u>	<u>\$ 73</u>	<u>\$ 8,856</u>	<u>\$ 9,056</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:-</u>	<u>\$ 70,745</u>	<u>\$ 71,428</u>	<u>\$ 259</u>	<u>\$ 212</u>	<u>\$ 71,004</u>	<u>\$ 71,640</u>

Total assets decreased \$ .6 million, primarily the result of the \$ .7 million decrease in net capital assets and the \$ .2 million decrease in taxes receivable, offset by a \$ .3 million increase in due from other governments.

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

Total liabilities decreased \$ .4 million, which is primarily the result of a \$ 1.6 million decrease in outstanding debt, a \$ .2 million decrease in accounts payable and retainage, and a \$ .2 million decrease in compensated absences, offset by a \$ .3 million increase in accrued salaries and benefits, a \$ .5 million increase in accrued interest expense, and a \$ .7 million increase in other post-employment benefits.

The following table shows the revenues, expenses, and changes in net position for fiscal year 2014:

	(IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>REVENUES AND OTHER SOURCES:-</u>						
<u>Program Revenues -</u>						
Charges for Services	\$ 38	\$ 44	\$ 396	\$ 370	\$ 434	\$ 414
Operating Grants and Contributions	8,760	8,825	735	705	9,495	9,530
<u>General Revenues -</u>						
Property, Per Capita, Earned, Other Taxes	15,876	14,403			15,876	14,403
Unrestricted Grants, Subsidies, and Contributions	10,713	10,554			10,713	10,554
Investment Earnings	48	50			48	50
Other	266	118	1	1	267	119
	<u>\$ 35,701</u>	<u>\$ 33,994</u>	<u>\$ 1,132</u>	<u>\$ 1,076</u>	<u>\$ 36,833</u>	<u>\$ 35,070</u>
<u>TOTAL REVENUE AND OTHER SOURCES:-</u>						
<u>PROGRAM EXPENSES AND OTHER USES:-</u>						
Instruction	\$ 18,579	\$ 17,320	\$	\$	\$ 18,579	\$ 17,320
<u>Support Services -</u>						
Pupil Personnel	713	680			713	680
Instructional Staff	901	899			901	899
Administration and Business	2,833	2,628			2,833	2,628
Pupil Health	405	386			405	386
Operation and Maintenance of Plant Service	2,863	2,696			2,863	2,696
Student Transportation	3,834	3,888			3,834	3,888
Other Support Services	715	582			715	582
Non-Instruction Services	709	661			709	661
Unallocated Depreciation	1,571	1,714			1,571	1,714
Debt Service	2,686	3,110			2,686	3,110
Food Service			1,224	1,144	1,224	1,144
	<u>\$ 35,809</u>	<u>\$ 34,564</u>	<u>\$ 1,224</u>	<u>\$ 1,144</u>	<u>\$ 37,033</u>	<u>\$ 35,708</u>
<u>TOTAL EXPENSES AND OTHER USES:-</u>						
<u>INCREASE (DECREASE) IN NET POSITION:-</u>						
	<u>\$ (108)</u>	<u>\$ (570)</u>	<u>\$ (92)</u>	<u>\$ (68)</u>	<u>\$ (200)</u>	<u>\$ (638)</u>

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

GOVERNMENTAL ACTIVITIES

Governmental activities for 2014 resulted in a decrease in net position of \$ 200 thousand. The decrease is primarily the result of increases in instruction costs, offset by increased realized property taxes, as well as other adjustments resulting from the conversion/reconciliation to government-wide financial statements.

The School District's revenues consist of: local (taxes and other), 45 percent; and state and federal revenues (subsidies and grants), 55 percent.

The School District's program expenses are 50 percent instruction, 37 percent support services, 2 percent non-instructional, 7 percent debt service, and 4 percent depreciation.

The School District's reliance on state and federal grants and local tax revenues is apparent. A decrease in state and federal 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 food service. This program had revenue of \$ 1.1 million and expenses of \$ 1.2 million. While this activity receives no support from tax revenue, this program receives federal and state grants and in-kind contributions of \$ .7 million. Without the support from the federal and state government, this operation would require support from local sources.

SCHOOL DISTRICT'S FUNDS

Financial information related to the School District's major funds starts on page 15. 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 \$ 42.9 million, and expenditures and net other financing uses of approximately \$ 42.7 million. The increase in fund balance of \$ .2 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 83 percent of total revenues and net other financing sources and 82 percent of net expenditures and other financing uses.

GENERAL FUND BUDGET 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.

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

The revenue and other sources budget was approximately \$ 34.8 million. Actual revenue exceeded budgeted amounts by approximately \$ 1.1 million. This was primarily the result of revenues over budget for various categories of local, state, and federal revenues.

The expenditure and other uses budget was approximately \$ 35.1 million compared to actual expenditures and other uses of \$ 34.9 million. A review of budget to actual expenditures indicates various variances with budgeted amounts for fiscal year 2014 to highlight the School District's performance.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2014, the School District had \$ 50.2 million invested in land, buildings, and equipment (cost \$ 71.1 million, less accumulated depreciation of \$ 20.9 million).

DEBT ADMINISTRATION

At June 30, 2014, the School District had approximately \$ 49.8 million in net bonds and capital lease obligations outstanding, with \$ 2.2 million due within one (1) year.

For additional information on bonds and notes, see Notes 1, 3, and 8 to the financial statements.

At June 30, 2014, the School District's non-electoral limit for debt (225 percent of borrowing base) was approximately \$ 79.9 million, excluding existing and self-liquidating debt.

FOR THE FUTURE

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

The School District completed efforts that were effective for the 2012-2013 school year to consolidate its operations in order to better prepare itself financially for many of the preceding items, as well as the projected PSERS Employer Contribution Rate inflation for retirement. The School District went from having three (3) junior/senior high schools and three (3) elementary schools to one (1) high school, two (2) middle schools, and two (2) elementary schools. Not only will this help the School District to maintain financial stability, but it will also maintain a solid foundation educationally for its students. The School District will continue its efforts to forecast and find ways to cut costs as much as possible with the least negative educational impact.

Despite the consolidation saving approximately \$ 2,000,000 per year and a recent bond upgrade, the School District must continue to be fiscally conservative to ensure the least amount of impact on taxpayers and programming. The School District also realizes that PSERS continues to play a major role in its



CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2014

UNAUDITED

performance and budgeting. The employer contribution rate is projected by PSERS to increase from 21.4 percent in 2014-2015 to 31.28 percent in 2018-2019. The School 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 School District. Of course, stability and growth depend upon the general economic conditions, including the unemployment rate of the School 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 will be funded with both property taxes and state and federal grants.

CONTACTING THE SCHOOL 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 Ms. Kara Onorato at Conneaut School District, 219 West School Drive, Linesville, Pennsylvania 16424.

CONNEAUT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:-</b>						
<b>CURRENT ASSETS:-</b>						
Cash and Cash Equivalents	\$ 15,754,732	\$ 133,121	\$ 15,887,853	\$ 1,238,459	\$ 66,844	\$ 1,305,303
Taxes Receivable, Net	2,314,768		2,314,768	1,455		1,455
Due from Other Governments	1,710,325	105,953	1,816,278	265,050		265,050
Other Receivables	15,180	458	15,638	2,168,606		2,168,606
Inventories	96,941	11,024	107,965	124,044		124,044
Prepaid Expenses	49,699		49,699			
<b>TOTAL CURRENT ASSETS:-</b>	<u>\$ 19,941,645</u>	<u>\$ 250,556</u>	<u>\$ 20,192,201</u>	<u>\$ 6,633,233</u>	<u>\$ 230,885</u>	<u>\$ 6,864,118</u>
<b>NON-CURRENT ASSETS:-</b>						
<b>Capital Assets -</b>						
Land	\$ 143,972	\$	\$ 143,972	\$	\$	\$ 24,884
Land and Site Improvements	1,475,426		1,475,426	48,538,770		48,538,770
Building and Building Improvements	65,572,930		65,572,930	1,194,296	5,759	1,200,055
Furniture and Equipment	2,951,945	249,580	3,201,525	3,008,961		3,008,961
Vehicles	185,858		185,858	3,563,614		3,563,614
Assets Under Capital Lease	506,576		506,576			
Construction-in-Process	14,550		14,550	56,330,525	46,897	56,377,422
<b>TOTAL CAPITAL ASSETS:-</b>	<u>\$ 70,851,257</u>	<u>\$ 249,580</u>	<u>\$ 71,100,837</u>	<u>\$ 62,963,758</u>	<u>\$ 277,782</u>	<u>\$ 63,241,540</u>
Accumulated Depreciation	<u>(20,622,289)</u>	<u>(240,983)</u>	<u>(20,863,272)</u>	<u>(1,094,184)</u>	<u>0</u>	<u>(1,094,184)</u>
<b>NET CAPITAL ASSETS:-</b>	<u>\$ 50,228,968</u>	<u>\$ 8,597</u>	<u>\$ 50,237,565</u>	<u>\$ (1,094,184)</u>	<u>\$ 0</u>	<u>\$ (1,094,184)</u>
Due from Other Governments	573,809	0	573,809	61,869,574	277,782	62,147,356
<b>TOTAL NON-CURRENT ASSETS:-</b>	<u>\$ 50,802,777</u>	<u>\$ 8,597</u>	<u>\$ 50,811,374</u>	<u>\$ 61,869,574</u>	<u>\$ 277,782</u>	<u>\$ 62,147,356</u>
<b>TOTAL ASSETS:-</b>	<u>\$ 70,744,422</u>	<u>\$ 259,153</u>	<u>\$ 71,003,575</u>	<u>\$ 466,848</u>	<u>\$ 8,597</u>	<u>\$ 475,445</u>
				<u>1,308,686</u>	<u>(27,226)</u>	<u>1,308,686</u>
				<u>7,099,314</u>		<u>7,072,088</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:-</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,874,848</u>	<u>\$ (18,629)</u>	<u>\$ 8,856,219</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</b>	<u>\$ 70,744,422</u>	<u>\$ 259,153</u>	<u>\$ 71,003,575</u>	<u>\$ 70,744,422</u>	<u>\$ 259,153</u>	<u>\$ 71,003,575</u>
<b>LIABILITIES:-</b>						
<b>CURRENT LIABILITIES:-</b>						
Accounts Payable						
Retainage Payable						
Accrued Interest Expense						
Current Portion of Long-Term Debt						
Current Portion of Capital Lease						
Accrued Salaries, Benefits, and Withholdings						
Prepayments						
Compensated Absences						
Unearned Revenue						
Internal Balances						
<b>TOTAL CURRENT LIABILITIES:-</b>				<u>(164,041)</u>	<u>164,041</u>	<u>0</u>
<b>NON-CURRENT LIABILITIES:-</b>						
Capital Lease						
Bonds Payable						
Compensated Absences						
Accrued Interest Expense						
Other Post-Employment Benefits						
<b>TOTAL NON-CURRENT LIABILITIES:-</b>				<u>24,884</u>	<u>24,884</u>	<u>24,884</u>
<b>TOTAL LIABILITIES:-</b>				<u>24,884</u>	<u>24,884</u>	<u>24,884</u>
<b>DEFERRED INFLOWS OF RESOURCES:-</b>						
Deferred Amount on Refunding						
<b>TOTAL DEFERRED INFLOWS OF RESOURCES:-</b>				<u>48,538,770</u>	<u>5,759</u>	<u>48,538,770</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</b>				<u>62,963,758</u>	<u>277,782</u>	<u>63,241,540</u>
<b>NET POSITION:-</b>						
Net Investment in Capital Assets						
Restricted for Specific Use						
Unrestricted						
<b>TOTAL NET POSITION:-</b>				<u>(1,094,184)</u>	<u>0</u>	<u>(1,094,184)</u>

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES:-</b>						
<b>INSTRUCTIONAL SERVICES:-</b>						
Regular Instruction	\$ 11,757,636	\$	\$ 1,195,779	\$ (10,561,857)	\$	\$ (10,561,857)
Special Instruction	3,813,348		2,232,661	(1,580,687)		(1,580,687)
Vocational Instruction	1,973,038		771,126	(1,201,912)		(1,201,912)
Other Instructional Programs	1,034,860	6,095	(78,473)	(1,107,238)		(1,107,238)
<b>TOTAL INSTRUCTIONAL SERVICES:-</b>	<b>\$ 18,578,882</b>	<b>\$ 6,095</b>	<b>\$ 4,121,093</b>	<b>\$ (14,451,694)</b>	<b>\$ 0</b>	<b>\$ (14,451,694)</b>
<b>SUPPORT SERVICES:-</b>						
Pupil Personnel	\$ 712,605	\$	\$ 35,606	\$ (676,999)	\$	\$ (676,999)
Instructional Staff Services	900,835		523,550	(377,285)		(377,285)
Administrative Services	2,351,917		118,546	(2,233,371)		(2,233,371)
Pupil Health	404,625		65,478	(339,147)		(339,147)
Business Services	481,560		24,061	(457,499)		(457,499)
Operation and Maintenance of Plant Services	2,863,315		142,974	(2,720,341)		(2,720,341)
Student Transportation Services	3,833,843		2,685,903	(1,147,940)		(1,147,940)
Central Services	660,701		33,012	(627,689)		(627,689)
Other Support Services	53,741		2,685	(51,056)		(51,056)
<b>TOTAL SUPPORT SERVICES:-</b>	<b>\$ 12,263,142</b>	<b>\$ 0</b>	<b>\$ 3,631,815</b>	<b>\$ (8,631,327)</b>	<b>\$ 0</b>	<b>\$ (8,631,327)</b>
<b>NON-INSTRUCTIONAL SERVICES:-</b>						
Student Activities	\$ 686,489	\$ 32,476	\$ 61,893	\$ (592,120)	\$	\$ (592,120)
Community Services	23,025		198,314	175,289		175,289
<b>TOTAL NON-INSTRUCTIONAL SERVICES:-</b>	<b>\$ 709,514</b>	<b>\$ 32,476</b>	<b>\$ 260,207</b>	<b>\$ (416,831)</b>	<b>\$ 0</b>	<b>\$ (416,831)</b>
<b>UNALLOCATED EXPENSES:-</b>						
Depreciation	\$ 1,570,744	\$	\$ 746,545	\$ (1,570,744)	\$	\$ (1,570,744)
Debt Service	2,686,356			(1,939,811)		(1,939,811)
<b>TOTAL UNALLOCATED EXPENSES:-</b>	<b>\$ 4,257,100</b>	<b>\$ 0</b>	<b>\$ 746,545</b>	<b>\$ (3,510,555)</b>	<b>\$ 0</b>	<b>\$ (3,510,555)</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES:-</b>	<b>\$ 35,808,638</b>	<b>\$ 38,571</b>	<b>\$ 8,759,660</b>	<b>\$ (27,010,407)</b>	<b>\$ 0</b>	<b>\$ (27,010,407)</b>
<b>BUSINESS-TYPE ACTIVITIES:-</b>						
Food Services	\$ 1,224,174	\$ 395,540	\$ 735,589	\$ 0	\$ (93,045)	\$ (93,045)
<b>TOTAL:-</b>	<b>\$ 37,032,812</b>	<b>\$ 434,111</b>	<b>\$ 9,495,249</b>	<b>\$ (27,010,407)</b>	<b>\$ (93,045)</b>	<b>\$ (27,103,452)</b>

The Accompanying Notes are an Integral Part of These Statements

CONNENAUT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

GENERAL REVENUES:-

TAXES -  
Property Taxes, Levied for General Purposes, Net  
Public Utility Realty, Earned Income, and Other Taxes Levied for General  
Purposes, Net  
Grants, Subsidies, and Contributions Not Restricted  
Investment Earnings  
Miscellaneous Income  
Special Item - Amortization of Net Bond Premium  
Fixed Asset Disposal  
Net Transfers in from Agency Funds

TOTAL GENERAL REVENUES AND SPECIAL ITEMS:-

CHANGE IN NET POSITION:-

NET POSITION - BEGINNING (RESTATED):-

NET POSITION - ENDING:-

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ 14,087,247	\$ 14,087,247	\$ 14,087,247
1,788,850		1,788,850
10,713,167		10,713,167
48,270	158	48,428
152,401	283	152,684
103,606		103,606
6,809		6,809
2,817		2,817
\$ 26,903,167	\$ 441	\$ 26,903,608
\$ (107,240)	\$ (92,604)	\$ (199,844)
8,982,088	73,975	9,056,063
\$ 8,874,848	\$ (18,629)	\$ 8,856,219

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:-</b>					
Cash and Cash Equivalents	\$ 14,434,266	\$ 1,184,955	\$ 135,511	\$ 0	\$ 15,754,732
Receivables-					
Taxes, Net	2,230,577				2,230,577
Due from Other Governmental Units	1,629,290				1,629,290
Other	15,180				15,180
Consumable Supplies	96,941				96,941
Prepaid Expenses	49,699				49,699
Due from Other Funds	172,113				172,113
<b>TOTAL ASSETS:-</b>	<b>\$ 18,628,066</b>	<b>\$ 1,184,955</b>	<b>\$ 135,511</b>	<b>\$ 0</b>	<b>\$ 19,948,532</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:-</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</b>	<b>\$ 18,628,066</b>	<b>\$ 1,184,955</b>	<b>\$ 135,511</b>	<b>\$ 0</b>	<b>\$ 19,948,532</b>
<b>LIABILITIES:-</b>					
Accounts Payable	\$ 1,211,500	\$ 26,959	\$ 0	\$ 0	\$ 1,238,459
Accrued Salaries and Benefits	2,759,085				2,759,085
Prepayment from Persons or Firms	202,541				202,541
Retainage Payable		1,455			1,455
Due to Other Funds	8,072				8,072
Unearned Revenue	2,097,432				2,097,432
Commitments and Contingencies					0
<b>TOTAL LIABILITIES:-</b>	<b>\$ 6,278,630</b>	<b>\$ 28,414</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,307,044</b>
<b>DEFERRED INFLOWS OF RESOURCES:-</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</b>	<b>\$ 6,278,630</b>	<b>\$ 28,414</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,307,044</b>
<b>FUND EQUITY:-</b>					
Fund Balances-					
Nonspendable	\$ 146,640	\$ 0	\$ 0	\$ 0	\$ 146,640
Restricted-					
Libraries		1,156,541	135,511		1,292,052
Capital Projects					
Nature Trail	1,670				1,670
Grant Programs	14,964				14,964

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	NON-MAJOR FUNDS	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assigned -					
Employee Benefit Trust	366,224				366,224
Subsequent Years' Budgets -					
2014 - 2015	146,519				146,519
2015 - 2016	1,574,537				1,574,537
2016 - 2017	2,637,639				2,637,639
2017 - 2018	2,900,000				2,900,000
2018 - 2019	3,564,353				3,564,353
Unassigned	996,890				996,890
<b>TOTAL FUND BALANCES:-</b>	<b>\$ 12,349,436</b>	<b>\$ 1,156,541</b>	<b>\$ 135,511</b>	<b>\$ 0</b>	<b>\$ 13,641,488</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY:-</b>	<b>\$ 18,628,066</b>	<b>\$ 1,184,955</b>	<b>\$ 135,511</b>	<b>\$ 0</b>	<b>\$ 19,948,532</b>

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

TOTAL FUND EQUITY - GOVERNMENTAL FUNDS:- \$ 13,641,488

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 \$ 70,851,257, and the Accumulated Depreciation is (\$ 20,622,289). 50,228,968

Property Taxes and Wage 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 or not Recorded in the Funds (Including a \$ 25,000 Settlement With an Other Taxing District for Prior Taxes). 2,200,805

Subsidy Receivable on Accrued Bond Interest that will not be Collected Soon Enough to Pay for the Current Period's Expenditures and, Therefore, not Recorded in the Funds. 629,884

Unamortized Bond Premium is Reported as Revenue in the Governmental Funds. The Original Balance is (\$ 2,226,714) and Accumulated Amortization is \$ 867,393. ( 1,359,321)

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.....	(\$ 49,348,055)	
Accrued Interest on Debt.....	( 3,274,011)	
Capital Leases Payable.....	( 148,928)	
Deferred Amount on Refunding.....	1,094,184	
Compensated Absences.....	( 1,226,552)	
Other Post-Employment Benefits.....	( 3,563,614)	( <u>56,466,976</u> )

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES:- \$ 8,874,848

The Accompanying Notes are an Integral Part of These Statements

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:-</b>					
Local Sources	\$ 16,703,937	\$ 2,791	\$	\$ 2,333	\$ 16,709,061
State Sources	18,435,899				18,435,899
Federal Sources	386,925				386,925
<b>TOTAL REVENUES:-</b>	<b>\$ 35,526,761</b>	<b>\$ 2,791</b>	<b>\$ 0</b>	<b>\$ 2,333</b>	<b>\$ 35,531,885</b>
<b>EXPENDITURES:-</b>					
<b>Instruction -</b>					
Regular Programs	\$ 11,715,528	\$	\$	\$	\$ 11,715,528
Special Programs	3,746,034				3,746,034
Vocational Programs	1,930,888				1,930,888
Other Instructional Programs	1,012,752				1,012,752
<b>TOTAL INSTRUCTION:-</b>	<b>\$ 18,405,202</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,405,202</b>
<b>Support Services -</b>					
Pupil Personnel Services	\$ 697,382	\$	\$	\$	\$ 697,382
Instructional Staff Services	932,213				932,213
Administrative Services	2,321,885				2,321,885
Pupil Health	392,106				392,106
Business Services	471,272				471,272
Operation and Maintenance of Plant Services	2,800,339				2,800,339
Student Transportation Services	3,751,940				3,751,940
Central Services	646,586				646,586
Other Support Services	52,593				52,593
<b>TOTAL SUPPORT SERVICES:-</b>	<b>\$ 12,066,316</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,066,316</b>
<b>Operation of Non-Instruction Services -</b>					
Student Activities	\$ 671,332	\$	\$	\$	\$ 671,332
Community Services	23,025				23,025
<b>TOTAL OPERATION OF NON-INSTRUCTION SERVICES:-</b>	<b>\$ 694,357</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 694,357</b>
<b>Facilities Acquisition, Construction, and Improvements -</b>					
	\$ 2,495	\$ 815,882	\$ 0	\$ 0	\$ 818,377
<b>Debt Service -</b>					
	\$ 119,530	\$ 0	\$ 4,280,300	\$ 0	\$ 4,399,830

The Accompanying Notes are an Integral Part of These Statements



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Bond Issue Costs -	\$ 0	\$ 0	\$ 47,320	\$ 0	\$ 47,320
TOTAL EXPENDITURES:-	\$ 31,287,900	\$ 815,882	\$ 4,327,620	\$ 0	\$ 36,431,402
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-	\$ 4,238,861	\$ (813,091)	\$ (4,327,620)	\$ 2,333	\$ (899,517)
OTHER FINANCING SOURCES (USES):-					
Net Refunds of Prior Year Expenditures	\$ 387,472	\$	\$	\$	\$ 387,472
Operating Transfers In	11,646		3,442,177		3,453,823
Operating Transfers Out	(3,442,177)		(8,829)		(3,451,006)
Net Refunds of Prior Year Revenues	(172,835)				(172,835)
Proceeds from Long-Term Debt			6,955,000		6,955,000
Payment to Bond Escrow Agent			(6,066,639)		(6,066,639)
Sale of Assets	6,809				6,809
TOTAL OTHER FINANCING SOURCES (USES):-	\$ (3,209,085)	\$ 0	\$ 4,321,709	\$ 0	\$ 1,112,624
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):-	\$ 1,029,776	\$ (813,091)	\$ (5,911)	\$ 2,333	\$ 213,107
INCREASE (DECREASE) IN RESERVES:-	11,556				11,556
BEGINNING FUND EQUITY:-	11,308,104	1,969,632	5,911	133,178	13,416,825
ENDING FUND EQUITY:-	\$ 12,349,436	\$ 1,156,541	\$ 0	\$ 135,511	\$ 13,641,488

NOTE: \$ 832,212 of expense is shown as debt service instead of payment to escrow agent in order to match transfers. This amount is reclassified in the entity-wide statements.

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS:- \$ 213,107

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 Capital Outlays  
Exceed Depreciation and Loss on Disposal of Assets  
in the Period.

Depreciation Expense.....(\$ 1,570,744)		
Capital Outlays..... <u>828,852</u>	(	741,892)

Because Some Property Taxes will not be Collected  
for Several Months After the School District's  
Fiscal Year Ends, They are not Considered as  
"Available" Revenues in the Governmental Funds.  
Deferred Tax Revenues Increased by this Amount this  
Year. ( 206,878)

Repayment of Debt is an Expenditure in the  
Governmental Funds, but the Repayment Reduces  
Long-Term Liabilities in the Statement of Net  
Position. 8,464,840

Proceeds from Long-Term Debt is an Other Financing  
Source in the Governmental Fund, but the Proceeds  
Increase the Long-Term Liabilities in the Statement  
of Net Position. ( 6,955,000)

The Following Amounts Represent Changes in Balances  
from Prior Year:

Inventories.....\$ 7,309		
Amortization of Deferred Amount on Refunding.....( 58,144)	(	58,144)
Amortization of Bond Premium.....103,606		
Accrued Interest Expense.....( 459,423)	(	459,423)
Compensated Absences.....152,799		
Subsidy Receivable.....83,889		
Wage Tax Receivable.....( 10,366)	(	10,366)
Reserve for Funds and Grants.....4,247		
Other Post-Employment Benefits.....( 680,334)	(	680,334)
Wage Tax Settlement..... <u>(25,000)</u>	(	<u>25,000</u> )

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES:- (\$ 107,240)

The Accompanying Notes are an Integral Part of These Statements

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

AS OF JUNE 30, 2014

	<u>FOOD SERVICE</u>
<u>A S S E T S</u>	
<u>CURRENT ASSETS:-</u>	
Cash and Cash Equivalents	\$ 133,121
Subsidies Receivable	105,953
U.S.D.A. Inventory	11,024
Due from General Fund	8,072
Other Receivable	458
	<hr/>
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 258,628</u>
<u>EQUIPMENT:-</u>	\$ 249,580
<u>LESS:</u> Accumulated Depreciation	<u>(240,983)</u>
<u>NET EQUIPMENT:-</u>	<u>\$ 8,597</u>
<u>TOTAL ASSETS:-</u>	<u>\$ 267,225</u>
<u>L I A B I L I T I E S   A N D   N E T   P O S I T I O N</u>	
<u>CURRENT LIABILITIES:-</u>	
Accounts Payable	\$ 66,844
Due to General Fund	172,113
	<hr/>
<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 238,957</u>
<u>LONG-TERM LIABILITIES:-</u>	
Compensated Absences Payable	\$ 5,759
Other Post-Employment Benefits	41,138
	<hr/>
<u>TOTAL LONG-TERM LIABILITIES:-</u>	<u>\$ 46,897</u>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 285,854</u>
<u>NET POSITION:-</u>	
Net Investment In Capital Assets	\$ 8,597
Unrestricted	(27,226)
	<hr/>
<u>TOTAL NET POSITION:-</u>	<u>\$ (18,629)</u>
<u>TOTAL LIABILITIES AND NET POSITION:-</u>	<u>\$ 267,225</u>

The Accompanying Notes are an Integral Part of These Statements

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>FOOD SERVICE</u>
<u>OPERATING REVENUES:-</u>	
Food Sales	\$ 359,413
Special Functions	36,127
Other	283
U.S.D.A. In-Kind Contributions	<u>52,986</u>
<u>TOTAL OPERATING REVENUES:-</u>	<u>\$ 448,809</u>
<u>COST OF SALES:-</u>	
Contracted Services	\$ 576,107
U.S.D.A. Contributions Used	<u>56,129</u>
<u>TOTAL COST OF SALES:-</u>	<u>\$ 632,236</u>
<u>EXCESS DIRECT COST OF SALES:-</u>	<u>\$ (183,427)</u>
<u>OPERATING EXPENSES:-</u>	
Labor, Net	\$ 327,734
Fringe Benefits	183,114
Supplies	3,811
Other	33,565
Depreciation	12,721
Repairs and Maintenance	<u>30,993</u>
<u>TOTAL OPERATING EXPENSES:-</u>	<u>\$ 591,938</u>
<u>OPERATING (LOSS):-</u>	<u>\$ (775,365)</u>
<u>NON-OPERATING REVENUES:-</u>	
Subsidies	\$ 642,756
State Social Security Reimbursement	12,468
State Retirement Reimbursement	27,379
Interest	<u>158</u>
<u>TOTAL NON-OPERATING REVENUES:-</u>	<u>\$ 682,761</u>
<u>NET (LOSS):-</u>	<u>\$ (92,604)</u>
<u>BEGINNING NET POSITION:-</u>	<u>73,975</u>
<u>ENDING NET POSITION:-</u>	<u><u>\$ (18,629)</u></u>

The Accompanying Notes are an Integral Part of These Statements

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CONNEAUT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>FOOD SERVICE</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES -</u>	
Cash Received from Sales	\$ 395,082
Other Income Received	283
Cash Paid for Personnel Services	(386,367)
Cash Paid to Suppliers	(560,067)
Cash Paid for Operating Expenses	<u>(69,874)</u>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u>\$ (620,943)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -</u>	
Subsidies Received	\$ 714,059
State Reimbursements	39,847
Interest Earnings	<u>158</u>
<u>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:-</u>	<u>\$ 754,064</u>
<u>CHANGE IN CASH AND CASH EQUIVALENTS:-</u>	<u>\$ 133,121</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:-</u>	<u>0</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR:-</u>	<u>\$ 133,121</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</u>	
Operating Income (Loss)	\$ (775,365)
Increase (Decrease) in Accounts Payable	14,534
(Increase) Decrease - Inventory - In-Kind	3,144
Depreciation	12,721
Increase (Decrease) in Compensated Absences	314
(Increase) Decrease in Due from Other Funds	(1,335)
Increase (Decrease) in Other Post-Employment Benefits	11,001
Increase (Decrease) in Due to Other Funds	114,501
(Increase) Decrease in Other Receivable	<u>(458)</u>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u>\$ (620,943)</u>
<u>NON-CASH TRANSACTIONS:-</u>	
In-Kind Contributions	<u>\$ 52,986</u>

The Accompanying Notes are an Integral Part of These Statements

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CONNEAUT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST SCHOLARSHIP FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalents	\$ 43,151	\$ 104,109
<u>TOTAL ASSETS:-</u>	<u>\$ 43,151</u>	<u>\$ 104,109</u>
<u>LIABILITIES:-</u>		
Other Current Liabilities	\$ 0	\$ 104,109
<u>NET POSITION:-</u>		
Held in Trust for Scholarships	\$ 43,151	\$ 0
<u>TOTAL LIABILITIES AND NET POSITION:-</u>	<u>\$ 43,151</u>	<u>\$ 104,109</u>

The Accompanying Notes are an Integral Part of These Statements

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CONNEAUT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	<u>PRIVATE PURPOSE TRUST SCHOLARSHIP FUNDS</u>
<u>ADDITIONS:-</u>	
Interest Earnings	\$ 318
<u>TOTAL ADDITIONS:-</u>	<u>\$ 318</u>
<u>DEDUCTIONS:-</u>	
<u>CHANGE IN NET ASSETS:-</u>	\$ 318
<u>NET POSITION - BEGINNING:-</u>	<u>42,833</u>
<u>NET POSITION - ENDING:-</u>	<u>\$ 43,151</u>

The Accompanying Notes are an Integral Part of These Statements

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CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Conneaut School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructured much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

With the implementation of GASB Statement 34, the School District has prepared required supplementary information titled, "Management's Discussion and Analysis", which precedes the basic financial statements.

The School District adopted GASB Statement Number 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Statement also made changes to the definitions of the various types of governmental funds.

As a result of the adoption of this Statement, the School District reclassified governmental fund balances to conform to the GASB 54 categories. In addition, the athletic fund was transferred to the general fund and the capital reserve and building reserve funds were reclassified as capital projects fund. The adoption of this Statement resulted in reclassifications only. Results of operations or financial position were not affected.

The School District applied GASB Statement Number 63 (GASB 63), "Financing Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". In addition, the School District has also implemented GASB Statement Number 65 (GASB 65), "Items Previously Reported as Assets and Liabilities". With implementation of GASB 65, the School District restated its 2013 financial statements (See Note "21").

REPORTING ENTITY

The Conneaut School District was created in 1971 and includes the Boroughs of Linesville, Conneautville, Conneaut Lake, Springboro, and the Townships of Spring, Beaver, Greenwood, Summerhill, Pine, Sadsbury, East Fallowfield, West Fallowfield, Conneaut, North Shenango, and Summit.

The School District provides primary and secondary education services in accordance with the guidelines provided by the Pennsylvania Department of Education and operates under an elected nine (9) member Board of Directors.

The Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity", established the criteria for determining the activities, organization, and functions of government to be included in the financial



CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

The School District has evaluated its relationships with other entities to determine if the financial information of these entities should be included in the financial statements. Based on this evaluation, these entities have not been included as a component unit of the School District's reporting entity because of limited oversight responsibility and limited accountability for fiscal matters.

In April 2012, the Board of Directors approved a resolution to consolidate within the School District and, as a result, the School District was reduced to two (2) elementary schools, two (2) middle schools, and one (1) high school. The consolidation took effect July 1, 2012.

JOINT VENTURE

The Conneaut School District is a participant with various other area school districts in a joint venture to operate the Crawford County Area Vocational-Technical School. The Vo-Tech School was created to provide vocational and technical training to interested students of the various participating school districts. The only item pertaining to this venture reported in the financial statements, is the School District's share of the debt service of the vocational school (See Note "8").

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. "Program revenues" include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as "general revenues".

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the "economic resources measurement focus" and the "accrual basis of accounting", as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the "modified accrual basis of accounting". Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be "available" when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

FUND ACCOUNTING

The accounts of the School District are organized on the basis of funds, 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Major Governmental Funds:-

- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District. This fund includes the Building Reserve and the Capital Reserve Fund. The Capital Reserve Fund was closed out in fiscal year 2013.
- The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest and principal on debt reported in the general long-term debt account group. The funds included in this category are the 2003, 2004, 2007, 2012, and 2013 Bond Sinking Funds.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Major Enterprise Fund:-

- Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Additionally, the School District reports the following fund types:

- Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) that are restricted to expenditures for specified purposes. These include the Library Funds.
- Fiduciary Funds - Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and, thus, do not involve measurement of results of operations. Funds included in this category are Student Activity Funds, Special Maintenance Escrow Fund, and the Memorial/Scholarship Funds.

The accrual basis of accounting is followed in both the government-wide and proprietary fund financial statements, whereby revenues are recognized in the period in which the revenues are earned and become measurable, and expenditures are recognized in the period incurred.

Proprietary funds distinguish "operating" revenues and expenses from "nonoperating" items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting. The budget, as presented in the financial statements, includes all budget modifications made during the year.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement at least once in two (2) newspapers of general circulation in the municipality in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement. Such hearings are required to be scheduled at least ten (10) days prior to when final action on adoption is taken by the Board.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds (2/3) of all members of the Board is required.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.

Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program-by-program basis by the state or federal funding agency.

An enterprise fund budget is not adopted.

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents consist of cash, certificates of deposit, or short-term investments with an original maturity of three (3) months or less, liquid asset funds, Pennsylvania Invest Funds, and Federated U.S. Treasury Securities Trusts. In these investments, cost is equal to the market value (See Note "6").

RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

INVENTORIES

Consumable supply inventories of the general fund are valued at lower of cost or market using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture (U.S.D.A.) food commodities are recorded as revenue when received at estimated market value on the date of receipt and as an expense when used. U.S.D.A. food commodities are reported in the Food Service Fund.

CAPITAL ASSETS

Capital assets, which include land, wells, building and improvements, and furniture and equipment, are reported in the government-wide financial statements. The School District defines capital assets as assets with an initial, individual, or group cost of more than \$ 1,500 and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and improvements, and furniture and equipment of the School District are depreciated using the straight-line method over the following estimated lives:

<u>ASSET CLASS</u>	<u>YEARS</u>
Site Improvements.....	15 - 20
School Buildings.....	40 - 50
HVAC Systems.....	20 - 25
Roofing.....	20 - 25
Interior Construction.....	25 - 30
Carpet Replacement.....	5 - 7
Electrical/Plumbing.....	25 - 30
Sprinkler/Fire System.....	2 - 25
Outdoor Equipment.....	15 - 20
Machinery and Tools.....	10 - 15
Kitchen Equipment.....	10 - 15
Custodial Equipment.....	5 - 10
Furniture and Accessories.....	15 - 20
Business Machines.....	5 - 10
Communication Equipment.....	5 - 10
Computer Hardware.....	3 - 5
Computer Software.....	5 - 10
Audio/Visual Equipment.....	7 - 10
Musical Instruments.....	10 - 15
Library Books.....	5 - 7
Licensed Vehicles.....	8 - 10
Grounds Equipment.....	10 - 15

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Due to GASB 34 requirements regarding the treatment of fully-depreciated assets during the year of implementation, lives for some assets do not conform to the above guidelines.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position for debt issued beginning in fiscal year 2003. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TAXES

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on August 1 and payable at discount on September 30, at face on November 30, and at penalty thereafter. All uncollected real estate taxes on January 1 are filed by the elected tax collector with the County for collection. Outstanding tax levies are offset on the governmental funds balance sheet as deferred revenue so as not to be included in the School District's general fund balance. The property tax levy is 50.05 Mills for general purposes for fiscal year 2014.

The School District also levies taxes under Act 511 of 1965 (Local Tax Enabling Act): \$ 5 per capita tax, one-half (1/2) of one (1) percent earned income tax, and one-half (1/2) of one (1) percent realty transfer tax. Also, a per capita tax of \$ 5 is levied under Section 679 of the Public School Code.

Tax receivables of governmental activities in the entity-wide statement of net position consist of the following:

Wage Taxes.....	\$ 84,191
Real Estate Taxes.....	2,622,872
Reserve for Uncollectable Real Estate Taxes.....	( 392,295)
<u>NET TOTAL:</u>	<u>\$ 2,314,768</u>

It is the School District's policy to reserve for uncollectable real estate taxes at a rate approximating its historical collection rate. The wage tax receivable is calculated at the estimated net realizable amount, consequently, no reserve is included above.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

CASH FLOWS

The School District has complied with Governmental Accounting Standards Board Statement Number 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting" requirement. For purposes of the cash flows statement, the School District considers all highly liquid debt instruments purchased with an initial maturity of three (3) months or less, to be cash equivalents.

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

UNEARNED REVENUES

Unearned revenues of the general fund in the governmental funds represent receivables which will be collected and included in revenues of future fiscal years. In the general fund, unearned revenues of \$ 2,097,432 as of June 30, 2014, consist of \$ 5,778 of unexpended grant allocations not spent, and \$ 2,091,654 of delinquent taxes, which were levied in the current and prior years but will not be available to pay liabilities of the current period.

FUND EQUITY

In the fund financial statements, governmental funds report aggregate amounts for five (5) classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four (4) classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School Board of Directors - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the School Board of Directors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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Assigned Fund Balance - This classification reflects the amounts constrained by the School District's "intent" to be used for specific purposes, but are neither restricted nor committed. The School District's Business Manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the School District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

2. DEBT REIMBURSEMENTS

The School District is reimbursed by the Pennsylvania Department of Education as determined by the applicable debt contract and the School District's aid ratio, which changes annually from the Commonwealth for their bonded debt. During fiscal year 2014, approximately 18.6 percent of the annual payments of \$ 3,567,618 were reimbursed.

3. BOND ISSUANCE

During fiscal year 2003, the School District issued School Revenue Bonds, Series of 2003, in the amount of \$ 26,385,000 at a premium of \$ 2,183,356, maturing November 1, 2004 to November 2023, with interest at 2.00 percent to 5.25 percent. The 2003 bonds were issued to provide funds for the renovation and construction to various school district buildings, to refund the \$ 10,000,000 General Obligation Note, Series of 2000, and to pay the costs of issuing the 2003 bonds. During fiscal year 2004, the 2003 bonded debt was partially defeased as discussed below.

During fiscal year 2004, the School District issued School Revenue Bonds, Series of 2004A and 2004B, in the amounts of \$ 19,195,000 and \$ 10,645,000, respectively, at a combined premium of \$ 432,375. The Series A Bonds mature November 1, 2026, with interest at 2.10 percent to 5.00 percent. The Series B Bonds mature November 1, 2019, with interest at 2.00 percent to 4.40 percent. The 2004 bonds were issued to provide funds for the renovation and



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construction to various school district buildings, to partially advance refund the 2003 bonds, and to pay the costs of issuing the 2004 bonds. A portion of this issue is accounted for as an insubstance defeasance transaction whereby the School District placed \$ 10,827,000 in an irrevocable trust for the sole purpose of servicing the interest and principal requirements of the partial defeasement of the 2003 bonds.

As a result of the partial defeasement of the 2003 bonds, the School District increased its total debt service requirements through the year 2019 by \$ 1,007,295; however, this transaction resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$ 52,931.

During fiscal year 2005, the School District issued, through the Butler County General Authority (as facilitator only), School Variable Rate Demand Revenue Refunding Bonds, Series of 2005A and 2005B, in the amounts of \$ 18,360,000 and \$ 7,485,000, respectively, at par. The Series A Bonds have a scheduled maturity date of November 1, 2026, with variable interest calculated on a weekly rate as provided for in the Bond Agreement. The Series B Bonds have a scheduled maturity date of November 1, 2023, with variable interest calculated on a weekly rate as provided for in the Bond Agreement. The 2005A Bonds were issued to partially advance refund the 2004A Bonds, and to pay the costs of issuing the 2005A Bonds. The 2005B Bonds were issued to partially advance refund the 2003 bonds, and to pay the costs of issuing the 2005B Bonds.

The 2005A issue is accounted for as an insubstance defeasance transaction whereby the School District placed \$ 17,699,700 in an irrevocable trust for the sole purpose of servicing the interest and principal requirements of the partial defeasement of the 2004A Bonds. Consequently, the \$ 16,385,000 in defeased 2004A Bonds have been removed from the School District's outstanding debt. As of June 30, 2014, the outstanding principal balance of the partially defeased 2004A Bonds is \$ 16,385,000.

As a result of the partial defeasement of the 2004A Bonds, the School District decreased its total debt service requirements through the year 2026 by \$ 5,008. In addition, this transaction resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 16,870.

As a result of the partial defeasement of the 2003 bonds, the School District decreased its total debt service requirements through the year 2023 by \$ 77,878; however, this transaction resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$ 49,125.

In connection with the 2005 Series A and B Demand Bonds, the School District (through the Butler County General Authority) entered into an interest rate swap transaction with a financial institution at the same time the bonds were issued.

During 2007, the 2005 Series A and B Bonds were redeemed and the interest rate swap transaction was terminated.

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During fiscal year 2007, the School District issued General Obligation Bonds, Series of 2007A and General Obligation Refunding Bonds, Series of 2007B, in the amounts of \$ 8,465,000 and \$ 27,003,055, respectively, at a combined premium of \$ 1,170,937. The Series A Bonds mature November 1, 2035, with interest at 4.375 percent. The Series B Bonds mature November 1, 2033, with interest at 4.00 percent to 5.00 percent. The School District used the proceeds from the sale of the 2007A Bonds to currently refund the General Obligation Notes, Series of 2007, which provided funds for various improvement projects and pay certain costs associated with issuance of the 2007A Bonds.

Proceeds from the sale of the 2007B Bonds were used to advance refund the remaining balance of the State Public School Building Authority, School Revenue Bonds, Series of 2004A Butler County General Authority Variable Rate Demand Revenue Refunding Bonds, Series 2005A and Variable Rate Demand Revenue Refunding Bonds, Series 2005B and pay certain costs associated with issuance of the 2007B Bonds. A portion of this issue is accounted for as insubstance defeasance transaction whereby the School District placed \$ 2,707,870 in an irrevocable trust for the sole purpose of servicing the interest and principal requirements of the partial defeasement of the 2004A Bonds. Consequently, the remaining \$ 2,810,000 in defeased 2004A Bonds have been removed from the School District's outstanding debt. As of June 30, 2014, the outstanding principal balance of the partially defeased 2004A Bonds is \$ 710,000.

Due to the various sources of funds involved in this transaction (including the use of School District funds) as well as numerous uses of funds, it was not considered practical to calculate the change in debt service requirements or economic gain or loss associated with the portion of this transaction that represents the defeasement of the 2004A Bonds.

During fiscal year 2013, the School District issued General Obligation Bonds, Series of 2012 A/B in the amount of \$ 7,715,000 at a discount of \$ 46,290. The Series 2012A/B Bonds mature November 1, 2023, with interest rates ranging from .7 percent to 3.3 percent. The bonds were issued to partially advance refund the 2003 Bonds. A portion of this issue is accounted for as an insubstance defeasance transaction whereby the School District placed \$ 7,590,055 in an irrevocable trust for the sole purpose of servicing the principal and interest requirements of the partial defeasement of the 2003 Bonds. Consequently, the \$ 7,075,000 in defeased 2003 bonds have been removed from the School District's outstanding debt. As of June 30, 2014, the outstanding principal balance related to this particular defeasement of the 2003 Bonds is \$ - 0 -.

During fiscal year 2014, the School District issued General Obligation Bonds, Series of 2013 in the amount of \$ 6,955,000. The Bonds mature November 1, 2019, with an interest rate of 2.25 percent. The Bonds were issued to refund a portion of the 2003 bonds (which were entirely paid-off in 2014), advance refund a portion of the Series 2014 Bonds, and to fund capital projects. Bond issue costs of \$ 47,320 were recognized as expense related to these bonds in fiscal year 2014 as required by GASB 65.

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The remaining bond premiums of \$ 782,515, \$ 319,552, and \$ 1,170,937 for the remaining 2003, the remaining 2004, the net 2007, and the 2012 bond issues are being amortized over the respective lives of the bonds. During 2014, a total of \$ 103,606 has been included as income under governmental activities in the entity-wide financial statements and the total unamortized portion of bond premiums at June 30, 2014, is \$ 1,359,321.

4. CAPITALIZED LEASES

During fiscal year 2011, the School District entered into a lease for copiers. The lease called for a total of 60 payments of \$ 2,483 per month, but was amended to include additional equipment after one (1) month and the new payment was increased to \$ 2,616. The lease was determined to be a capital lease and, accordingly, the fair market value of the asset and the amount representing the principal value have been recorded in the entity-wide statement of net position. The lease expires in fiscal year 2016. The interest rate on the lease is approximately 8.78 percent and is imputed on the lessor's implicit rate of return.

During fiscal year 2012, the School District entered into a lease for i-Pads to be used by the School District's students. The lease calls for five (5) annual payments of \$ 98,455 plus interest, and expires in fiscal year 2015. This lease was determined to be a capital lease and, accordingly, the fair market value of the asset and the amount representing the principal value have been recorded in the entity-wide statement of net position. The inherent rate on the lease is 1.45 percent. Due to delays in delivery of equipment, the School District withheld the first payment, and therefore two (2) years worth of payments are reflected in the entity-wide statements in fiscal year 2013.

Minimum future lease payments under capital leases are as follows:

FISCAL YEAR:-

2015.....	\$ 129,851
2016.....	<u>26,164</u>

TOTAL:- \$ 156,015

LESS: AMOUNT REPRESENTING INTEREST:- ( 7,087 )

PRESENT VALUE OF NET MINIMUM LEASE

PAYMENTS:- \$ 148,928

5. RETIREMENT PLAN

The Conneaut School District has a contributory pension plan for all full-time and part-time employees which is funded and maintained through the Commonwealth of Pennsylvania's Public School Employees' Retirement System. Retirement expense amounted to \$ 1,904,744 in 2014.

During 1996, funding of retirement expenditures was changed by the Commonwealth of Pennsylvania. The School District now pays the entire

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required contribution to the Plan, with the State reimbursing approximately one-half (1/2) directly to the School District, rather than directly to the Plan. During 2014, retirement reimbursement revenues totalled \$ 1,093,745.

The following information regarding the pension plan has been provided by the Public School Employees' Retirement System (PSERS) under the disclosure requirements of GASB Statement Number 27, "Accounting for Pensions by State and Local Governmental Employers".

PLAN DESCRIPTION

Name of Plan -

The Public School Employees' Retirement System (the System).

Type of Plan -

Governmental cost sharing multiple-employer defined benefit plan.

Benefits -

Retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority -

The Public School Employees' Retirement Code (Act Number 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535).

Annual Financial Report -

The System issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, Post Office Box 125, Harrisburg, Pennsylvania 17108-0125. The report is also available in the Publication Section of the PSERS website.

FUNDING POLICY

Authority -

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

Contribution Rates -

Member Contributions -

Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) 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 6.50 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation.

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Those who become members for the first time on or after July 1, 2011, may choose between two classes of membership in PSERS, and therefore, two different base contribution rates.

New Members Electing Class T-E -

The base employee contribution rate is 7.5 percent with "shared risk" (see an explanation of shared risk on this page) contribution levels that may fluctuate between 7.5 percent and 9.5 percent.

New Members Electing Class T-F -

The base employee contribution rate is 10.3 percent (base rate) with "shared risk" (see an explanation of shared risk on this page) contribution levels that may fluctuate between 10.3 percent and 12.3 percent.

An Explanation of Shared Risk -

With a "shared risk" program, Class T-E and Class T-F members benefit when investments of the fund are doing well and share some of the risk when investments underperform. With a Class T-E or Class T-F membership, the contribution rate will stay within the specified range (Class T-E - 7.5 percent and 9.5 percent or Class T-F - 10.3 percent and 12.3 percent), but may increase or decrease by 0.5 percent within the specified range once every three (3) years, starting July 1, 2015. The member contribution rate will never go below the base rate or above the highest percentage rate. If, however, it is determined that PSERS is fully funded at the time of the comparison, the member contribution rate will revert to the base employee contribution rate for the membership class.

Employer Contributions -

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93 percent of covered payroll. The 16.93 percent rate is composed of a pension contribution rate of 16.0 percent for pension benefits and .93 percent for health care insurance premium assistance.

6. CASH AND INVESTMENTS

The School District has implemented Governmental Accounting Standards Board Statement Number 40, "Deposit and Investment Risk Disclosures". This Statement established and modified disclosure requirements related to deposit risks (custodial credit and foreign currency risks) and investment risks (credit, interest rate, and foreign currency risks), as applicable to the School District.

The School District's cash and investments consist of deposits with financial institutions, money market accounts, liquid asset funds, certificates of deposit, Pennsylvania Treasurer Invest Program, and Federated U.S. Treasury Securities Trusts. Temporary investments have varying maturities ranging to one (1) year. The School District's investment policies are governed by state

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school code and school board resolution. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations. Collateral is required for demand deposits and certificates of deposit, and at 100 percent of all amounts not covered by federal deposit insurance as required by Pennsylvania Pledge Act 72 (72 P.S. 3836-1 Et Seq of 1971). Obligations that may be pledged as collateral are obligations of the United States and its agencies.

DEPOSITS

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the statement of net position as cash and cash equivalents. The bank balances are categorized to give an indication of the level of risk assumed by the School District at year-end as follows:

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District's deposit policy for custodial credit risk is in accordance with the Public School Code of 1947. As of June 30, 2014, \$ 15,751,070 of the government's bank balance of \$ 16,044,221 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by or For Pledging Bank Not in  
the School District's Name (But Subject to the Pennsylvania  
Pledge Act 72).....\$ 15,751,070

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the School District to concentration of credit risk consist principally of cash and resident receivables. Concentrations of credit risk with respect to resident receivables are due to the nature of the business, geographic region, and financial status of the tenants. The School District places a majority of its cash with one (1) financial institution.

The Federal Deposit Insurance Corporation (FDIC) insures all deposit accounts, including checking and savings accounts, money market deposit accounts, and certificates of deposit. In 2014, the standard insurance amount is \$ 250,000 per depositor, per insured bank. In the normal course of business, the School District may have deposits in excess of federal insured coverage. As of June 30, 2014, the School District had approximately \$ 15,751,070 in excess of FDIC insured limits.

Deposits of the School District in excess of FDIC insured limits are collateralized as public fund deposits by securities pledged to pooled public funds accounts as required by law under the Deposits of Public Monies Act Number 27, of the 1971 Pennsylvania Session. This significantly minimizes the concentration of credit risk.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

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Governmental Activities:-

	<u>BALANCE</u> <u>JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2014</u>
<u>Capital Assets Not</u>				
<u>Being Depreciated -</u>				
Land.....	\$ 143,972	\$	\$	\$ 143,972
Construction-in- Process.....	564,148	14,550	( 564,148)	14,550
<u>Capital Assets</u>				
<u>Being Depreciated -</u>				
School Buildings and Improvements.....	64,255,263	1,317,667		65,572,930
Furniture and Equipment.....	2,913,096	38,849		2,951,945
Assets Under Capitalized Lease...	506,576			506,576
Land and Site Improvements.....	1,475,426			1,475,426
Vehicles.....	163,924	21,934		185,858
<u>TOTALS:-</u>	<u>\$ 70,022,405</u>	<u>\$ 1,393,000</u>	<u>(\$ 564,148)</u>	<u>\$ 70,851,257</u>
<u>Accumulated</u>				
<u>Depreciation For -</u>				
School Buildings and Improvements.....	(\$ 15,838,891)	(\$ 1,208,790)	\$	(\$ 17,047,681)
Furniture and Equipment.....	( 2,027,986)	( 158,179)		( 2,186,165)
Assets Under Capital Lease.....	( 237,808)	( 119,842)		( 357,650)
Land and Site Improvements.....	( 835,411)	( 69,166)		( 904,577)
Vehicles.....	( 111,449)	( 14,767)		( 126,216)
<u>TOTAL ACCUMULATED</u> <u>DEPRECIATION:-</u>	<u>(\$ 19,051,545)</u>	<u>(\$ 1,570,744)</u>	<u>\$ 0</u>	<u>(\$ 20,622,289)</u>
<u>Governmental</u> <u>Activities -</u> <u>Capital Assets,</u> <u>Net:-</u>	<u>\$ 50,970,860</u>	<u>(\$ 177,744)</u>	<u>(\$ 564,148)</u>	<u>\$ 50,228,968</u>

Business-Type Activities:-

<u>Capital Assets Being</u>				
<u>Depreciated -</u>				
Equipment.....	\$ 249,580	\$	\$	\$ 249,580
<u>Accumulated</u>				
<u>Depreciation For -</u>				
Equipment.....	( 228,262)	( 12,721)		( 240,983)
<u>Business-Type</u> <u>Activities, Net:-</u>	<u>\$ 21,318</u>	<u>(\$ 12,721)</u>	<u>\$ 0</u>	<u>\$ 8,597</u>

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Depreciation expense is included in the statement of activities as follows:

<u>Governmental Activities - Unallocated:-</u>	<u>\$ 1,570,744</u>
<u>Business-Type Activities:-</u>	
Food Service.....	<u>\$ 12,721</u>

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014, is as follows:

	<u>BALANCE</u> <u>JULY 1, 2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>Governmental</u>					
<u>Activities:-</u>					
<u>Bonds Payable -</u>					
Series 2012 A					
and B.....	\$ 7,605,000	\$	(\$ 160,000)	\$ 7,445,000	\$ 165,000
School Revenue					
Bonds - Series					
2003.....	1,080,000		( 1,080,000)	0	0
School Revenue					
Bonds - Series					
2004B.....	7,960,000		( 6,925,000)	1,035,000	1,035,000
General					
Obligation Bonds					
Series 2013.....	0	6,955,000	( 10,000)	6,945,000	690,000
General					
Obligation					
Bonds - Series					
of 2007A.....	8,465,000			8,465,000	0
General					
Obligation					
Refunding					
Bonds - Series					
of 2007B.....	<u>25,628,055</u>		<u>( 170,000)</u>	<u>25,458,055</u>	<u>175,000</u>
<u>SUBTOTAL:-</u>	\$ 50,738,055	\$ 6,955,000	(\$ 8,345,000)	\$ 49,348,055	\$ 2,065,000
Deferred Amounts					
for Issuance					
Premium.....	1,462,927		( 103,606)	1,359,321	103,606
Deferred Amounts					
on Refunding...	<u>( 1,152,328)</u>		<u>58,144</u>	<u>( 1,094,184)</u>	<u>( 58,145)</u>
<u>TOTAL BONDS</u>					
<u>PAYABLE, NET:-</u>	\$ 51,048,654	\$ 6,955,000	(\$ 8,390,462)	\$ 49,613,192	\$ 2,110,461
Accrued Interest...	2,814,588	459,423		3,274,011	265,050
Capitalized Leases					
(Note "4").....	268,768		( 119,840)	148,928	124,044
Compensated					
Absences					
(Note "10").....	<u>1,379,351</u>		<u>( 152,799)</u>	<u>1,226,552</u>	<u>32,256</u>
<u>TOTAL GOVERNMENTAL</u>					
<u>ACTIVITIES:-</u>	<u>\$ 55,511,361</u>	<u>\$ 7,414,423</u>	<u>(\$ 8,663,101)</u>	<u>\$ 54,262,683</u>	<u>\$ 2,531,811</u>



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LONG-TERM LIABILITIES

The above liabilities are generally paid through general fund appropriations. Accrued interest is composed of current amounts on debt, as well as interest accretions on the Series 2007B "Deep Discount Bonds" discussed in Note "3". In connection with the accrued interest amounts, \$ 629,826 of receivables have been recorded in governmental activities in the entity-wide financial statements for estimated rental and sinking fund subsidies from the State.

Following is a schedule of accrued interest as of June 30, 2014:

	<u>TOTAL</u>	<u>DUE WITHIN ONE YEAR</u>
Series 2007B Deep Discount.....	\$ 3,008,961	\$
Series 2004B Bonds.....	8,438	8,438
Series 2007A Bonds.....	60,382	60,382
Series 2007B Bonds.....	141,222	141,222
Series 2012A/B Bonds.....	29,530	29,530
Series 2013 Bonds.....	<u>25,478</u>	<u>25,478</u>
 <u>TOTALS:-</u>	 <u>\$ 3,274,011</u>	 <u>\$ 265,050</u>

The deferred amounts on refunding represent the difference between the remaining debt service and payments made to the Refunded Bond Escrow Agents of the various bond issues discussed above. This net amount of \$ 1,748,583 is being amortized over the various lives of the applicable bonds. Total net amortization expense of \$ 58,144 has been recorded for fiscal year 2014. Net amortization expense for 2014 is composed of:

2003 Issue.....	(\$ 25,597)
2004B Issue.....	35,133
2007 Issue.....	<u>48,608</u>
 <u>NET TOTAL:-</u>	 <u>\$ 58,144</u>

At June 30, 2014, the debt service requirements of principal and interest on School Revenue Bonds Series 2004B, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015.....	\$ <u>1,035,000</u>	\$ <u>25,875</u>	\$ <u>1,060,875</u>

At June 30, 2014, the debt service requirements of principal and interest on School Revenue Bonds Series 2007A, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015.....	\$	\$ 370,344	\$ 370,344
2016.....		370,344	370,344
2017.....		370,344	370,344
2018.....		370,344	370,344
2019.....		370,344	370,344
2020 - 2024.....		1,851,719	1,851,719

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<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2025 - 2029.....		1,851,719	1,851,719
2030 - 2034.....		1,851,719	1,851,719
2035 - 2036.....	<u>8,465,000</u>	<u>374,388</u>	<u>8,839,388</u>
<u>TOTALS:-</u>	<u>\$ 8,465,000</u>	<u>\$ 7,781,265</u>	<u>\$ 16,246,265</u>

At June 30, 2014, the debt service requirements of principal and interest on School Revenue Bonds Series 2007B, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015.....	\$ 175,000	\$ 862,660	\$ 1,037,660
2016.....	180,000	855,560	1,035,560
2017.....	190,000	848,160	1,038,160
2018.....	200,000	840,360	1,040,360
2019.....	210,000	832,055	1,042,055
2020 - 2024.....	7,230,000	3,410,000	10,640,000
2025 - 2029.....	11,877,837	4,852,038	16,729,875
2030 - 2034.....	<u>5,395,218</u>	<u>11,329,782</u>	<u>16,725,000</u>
<u>TOTALS:-</u>	<u>\$ 25,458,055</u>	<u>\$ 23,830,615</u>	<u>\$ 49,288,670</u>

At June 30, 2014, the debt service requirements of principal and interest on School Revenue Bonds Series 2012A and B, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015.....	\$ 165,000	\$ 180,117	\$ 345,117
2016.....	740,000	173,384	913,384
2017.....	750,000	160,824	910,824
2018.....	765,000	146,655	911,655
2019.....	780,000	131,043	911,043
2020 - 2024.....	<u>4,245,000</u>	<u>334,778</u>	<u>4,579,778</u>
<u>TOTALS:-</u>	<u>\$ 7,445,000</u>	<u>\$ 1,126,801</u>	<u>\$ 8,571,801</u>

At June 30, 2014, the debt service requirements of principal and interest on General Obligation Bonds Series 2013, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2015.....	\$ 690,000	\$ 148,500	\$ 838,500
2016.....	1,200,000	127,238	1,327,238
2017.....	1,225,000	99,956	1,324,956
2018.....	1,250,000	72,112	1,322,112
2019.....	1,275,000	43,706	1,318,706
2020.....	<u>1,305,000</u>	<u>14,681</u>	<u>1,319,681</u>
<u>TOTALS:-</u>	<u>\$ 6,945,000</u>	<u>\$ 506,193</u>	<u>\$ 7,451,193</u>

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

During fiscal year 2014, \$ 2,334,722 of interest was incurred and has been included in debt service expense recorded in the entity-wide financial statements.

In 2009, the School District entered into an agreement with the Crawford County Career and Technical Center (Career Center) to fund its portion of debt related to the construction project of the Career Center. The portion of expense is based on the market values of the three (3) contributing School Districts. Since this expense is not actual debt of the Conneaut School District, it has not been recorded in the financial statements; instead it is being expensed each year. In fiscal year 2014, the School District's portion of expense amounted to \$ 119,531, of which \$ 1,496 represented principal and \$ 118,035 was interest. The School District was reimbursed \$ 36,573 related to this expense in fiscal year 2014, which is recorded under state revenues in the financial statements. In fiscal year 2013, the Career Center advance refunded the bonds discussed above, which will decrease future expenses related to the obligation.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

PLAN DESCRIPTION

The Conneaut School District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Plan provides healthcare insurance (including prescription) and a death benefit for various periods after retirement. Coverage, premium sharing, and life insurance amounts vary by employee classification.

ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OTHER POST-EMPLOYMENT BENEFIT OBLIGATION

The School District's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution.....	\$ 1,124,233
Estimated Interest on Net OPEB Obligation.....	131,104
Estimated Adjustment to Annual Required Contribution.....	(178,859)
<u>ANNUAL OPEB COST:-</u>	\$ 1,076,478
Estimated Contributions Made *.....	(385,143)
<u>INCREASE IN NET OPEB OBLIGATION:-</u>	\$ 691,335

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

Net OPEB Obligation - Beginning of  
Year..... 2,913,417

NET OPEB OBLIGATION - END OF  
YEAR:- \$ 3,604,752

\* Actuarially determined. The School District premiums paid on behalf of active members should be adjusted for purposes of financial reporting to reflect the actuarially determined contribution (rather than the premium) allocated to the retirees.

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2012 through 2014:

<u>YEAR ENDED</u> <u>DECEMBER 31</u>	<u>ANNUAL</u> <u>OPEB COST</u>	<u>PERCENTAGE</u> <u>OF ANNUAL</u> <u>OPEB COST</u> <u>CONTRIBUTED</u>	<u>NET OPEB</u> <u>OBLIGATION</u>
2012.....	\$ 933,346	42.5%	\$ 2,210,680
2013.....	1,087,998	37.3%	2,913,417
2014.....	1,076,478	29.9%	3,604,752

FUNDED STATUS AND FUNDING PROGRESS

As of December 1, 2011, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$ 10,190,168, and the actuarial value of assets was \$ - 0 -, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 10,190,168. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 12,228,741, and the ratio of the UAAL to the covered payroll was 83.33 percent.

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 as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections 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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made and methods used:

Actuarial Cost Method - Entry Age Normal -

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data -

Based on census information as of December 1, 2011.

Post 65 Election -

Teachers retired prior to July 1, 2007, are assumed to move to the Medicare supplement plan at age 65.

Life Insurance -

It is assumed that the annual cost to provide life insurance varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

Pre and Post-Retirement Mortality -

Separate rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>AGE</u>	<u>AGE 55 AND</u>		<u>35 YEARS OF SERVICE,</u>	
	<u>25 YEARS OF SERVICE</u>	<u>30 YEARS OF SERVICE</u>	<u>OR AGE 62 AND</u>	<u>1 YEAR OF SERVICE,</u>
	<u>MALE</u>	<u>FEMALE</u>	<u>OR AGE 60 AND</u>	<u>30 YEARS OF SERVICE</u>
			<u>MALE</u>	<u>FEMALE</u>
55.....	10%	10%	24%	10%
56.....	15%	12%	24%	10%
57.....	15%	12%	24%	25%
58.....	15%	12%	24%	25%
59.....	18%	17%	28%	25%
60.....	10%	15%	28%	25%
61.....	30%	30%	50%	47%
62.....	30%	30%	30%	30%
63.....	28%	20%	28%	20%

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

<u>AGE</u>	<u>AGE 55 AND 25 YEARS OF SERVICE</u>		<u>35 YEARS OF SERVICE, OR AGE 62 AND 1 YEAR OF SERVICE, OR AGE 60 AND 30 YEARS OF SERVICE</u>	
	<u>MALE</u>	<u>FEMALE</u>	<u>MALE</u>	<u>FEMALE</u>
64.....	28%	28%	28%	28%
65.....	100%	100%	100%	100%

Disability -  
None assumed

Marital Status -  
50 percent of active participants are assumed to have a covered spouse at retirement. Wives are assumed to be two (2) years younger than their husbands. For those in retirement, actual age and coverage are used.

Participation -

Medical - 100 percent of teachers and administrators and 50 percent of the support staff are assumed to elect coverage. Current deferred retirees are assumed to elect coverage at age 62 or the valuation date, if later.

Life Insurance - 100 percent of eligible employees assumed to participate in the post-retirement life insurance program.

Healthcare rates are assumed to reflect the following:

<u>YEAR</u>	<u>RATE OF MEDICAL INFLATION</u>
2011.....	8.0%
2012.....	7.5%
2013.....	7.0%
2014.....	6.5%
2015.....	6.0%
2016.....	5.5%
2017 - 2089.....	5.3% to 4.2%

Per Capita Claims Cost -

Making use of weighted averages for various plan designs, the per capita cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>AGE</u>	<u>MEDICAL AND PRESCRIPTION DRUG COMBINED</u>	
	<u>MALES</u>	<u>FEMALES</u>
45-49.....	\$ 4,405	\$ 6,361
50-54.....	5,834	7,190

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

<u>AGE</u>	<u>MEDICAL AND PRESCRIPTION DRUG COMBINED</u>	
	<u>MALES</u>	<u>FEMALES</u>
55-59.....	7,105	7,523
60-64.....	9,272	8,642
65 and up.....	3,720	3,720

Retiree Contributions -

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

Withdrawal -

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than ten (10) years of service are shown below. Rates for new employees start at 14 percent for both men and women and decrease with age and service.

<u>AGE</u>	<u>MALE RATE</u>	<u>FEMALE RATE</u>
25.....	1.4000%	4.0000%
30.....	1.4000%	4.0000%
35.....	1.1000%	2.0000%
40.....	0.8000%	1.0000%
45.....	0.5500%	0.5500%
50.....	1.7800%	1.5000%
55.....	1.7800%	3.0000%
60.....	4.5000%	5.9000%

Amortization Period -

30 year amortization

Amortization Method -

Level dollar, open amortization

Actuarial Value of Plan Assets -

The School District does not accumulate assets in a dedicated trust, or an equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the actuarial value of plan assets is zero.

Type of Entity -

Single employer plan: A plan that covers the current and former employees, including beneficiaries of only one (1) employer.

A schedule of funding progress is presented on page 66.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

10. COMMITMENTS AND CONTINGENCIES

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 audit scopes of these program compliance audits are much different than the scope of financial and compliance audits performed by an outside, independent certified public accounting firm. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs.

LITIGATION

In the normal course of operations, the School District may be involved in various civil disputes, including property tax appeals, as well as grievances filed by union members.

Management and counsel are of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position. Disputes covered by the School District's insurance are subject to policy deductibles.

COMPENSATED ABSENCES

Employees of the School District are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors. Employees are represented by labor unions, and each contract contains different provisions for such employee-compensated absences. In addition, management and other nonunion employees also have contracts or agreements with the School District that provide for compensated absences.

Vacation days do not accumulate and are forfeited if not used by the end of the fiscal year.

Unused personal days are converted to sick days at the end of the year.

Unused sick leave accumulates indefinitely at various numbers of days per year depending on job classification. If an employee becomes sick and uses some or all of the days, they are paid at their normal wage rate. Contractual provisions require payment at the rate of \$ 45 to \$ 100 per day for accumulated unused sick leave days upon retirement with no maximum.

Accumulated unused sick leave calculated at retirement rates at June 30, 2014, is \$ 877,960, with the obligation being carried in long-term debt in the entity-wide statement of net position.

The School District had an early retirement incentive plan covering all professional employees. This Plan was terminated during 2006 with amounts recorded for prior participants only. The School District adopted Governmental Accounting Standards Board Statement Number 47, "Accounting for Termination Benefits", which states that the cost of non-healthcare related termination benefits must be discounted at the present value of expected future benefit payments, including an assumption regarding charges in future



CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

cost levels during the periods covered by the employer's commitment to provide the benefits. As of June 30, 2014, the present value of remaining expected future benefit payments total \$ 348,592, with the balance being carried in long-term debt in the entity-wide statement of net position. Benefits are paid on an annual basis in July of each year following retirement and continue for a maximum of ten (10) years until the individual's benefit is paid out or until their death, if earlier.

Compensated absences of the proprietary (food service) fund total \$ 5,759 as of June 30, 2014, and are recorded in the financial statements of the proprietary fund.

11. SELF-INSURANCE

The School District has a self-insured dental program administered entirely by a third party. The purpose of this program is to pay dental claims of School District employees and their covered dependents.

12. EMPLOYEE BENEFIT TRUST

The School District is a member in the Northwestern Region Employee Benefit Trust (Trust) established by Northwest Tri-County Intermediate Unit which provides insurance coverage for various employee benefits. The Trust is a public entity risk pool and membership is open to any Pennsylvania school district, Pennsylvania public school employer, or any other unit established by the laws of the Commonwealth of Pennsylvania in the administration of school laws. The School District pays premiums to the Trust for employee benefit coverages. The agreement for formation of the Trust provides that the Trust will be self-sustaining through member premiums and will reinsure through commercial companies for catastrophic risk through stop loss insurance. Financial information provided by the Trust as of March 31, 2011 (the most recent available), indicates the Trust has approximately \$ 22.3 million of reserves. However, as of March 31, 2011, the School District's share was a deficit of \$ 366,224. This deficit is being included in premium increases. Consequently, this amount has not been recorded in the financial statements at June 30, 2014. However, the School District has assigned \$ 366,224 of its fund balance toward this deficit. Premiums for fiscal year 2013 increased approximately 3 percent and premiums for fiscal year 2014 have increased approximately 3.5 percent.

13. GENERAL FUND RESTRICTED FUND BALANCE

The following is a schedule of the components of the general fund restricted fund balance as of June 30, 2014:

Restricted for - Sadsbury Nature Trail.....	\$	1,670
- Communities That Care.....		651
- Math and Science Grant.....		9,000

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

- Collin's Donation..... 5,313

TOTAL:- \$ 16,634

14. KEYSTONE OPPORTUNITY ZONE

The Conneaut School District recognized the need to encourage investment in an area of Greenwood Township of approximately 1,300 acres known as the Keystone Opportunity Zone.

The Commonwealth of Pennsylvania adopted the Pennsylvania Keystone Opportunity Zone Act, which authorized political subdivisions to apply to the Department of Community and Economic Development for designation as a Keystone Opportunity Zone with the following provisions:

Real Property Tax in the proposed Keystone Opportunity Zone is exempt in accordance with the provisions and limitations herein set forth within the boundaries of the proposed Keystone Opportunity Zone for a period of 12 years commencing January 1, 1999 and ending December 31, 2010. In May 2009, the School Board approved an extension of the exemption to December 31, 2017.

The exemption shall be 100 percent of the real property taxation on the assessed valuation of the property.

15. CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Certain employees of the School District are members of labor unions. The contract with the teachers' union expires June 30, 2015, and the contract with the support union expired June 30, 2014. A new contract was ratified with the support union that runs through June 30, 2018. The School District and the teachers' union also agreed to an "early bird" contract that runs through June 30, 2017.

16. DEBT SERVICE FUND TRANSFERS

The paying agent for the various bond issues has discontinued the use of certain bond sinking funds and some bond payments were made directly. Consequently, various payments by the general fund are recorded as debt service payments rather than sinking fund transfers.

17. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, is as follows:

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
<u>Due To/From Other Funds:</u>		
Cafeteria Fund.....General Fund.....		\$ 8,072
General Fund.....Cafeteria Fund....		172,113

18. INTERFUND TRANSFERS

A reconciliation of and purpose of transfers between funds in the governmental funds financial statements during 2014 is as follows:

GOVERNMENTAL FUNDS:

Interfund Transfers Received By -

Debt Service Funds.....	\$ 4,274,389
General Fund.....	<u>8,829</u>

TOTAL TRANSFERS FROM OTHER FUNDS:- \$ 4,283,218

Interfund Transfers Paid By -

General Fund for Debt Service.....	\$ 3,442,177
Between Debt Service Funds with Refunding...	832,212
Debt Service, Surplus Cash at Refunding.....	<u>8,829</u>

TOTAL TRANSFERS TO OTHER FUNDS:- \$ 4,283,218

19. RESTRICTED NET POSITION

The following is a schedule of restricted net position in the entity-wide financial statements.

Math and Science Grant.....	\$ 9,000
Sadsbury Nature Trail.....	1,670
Communities That Care Grant.....	651
Libraries.....	135,511
Capital Projects.....	1,156,541
Collin's Donation.....	<u>5,313</u>
<u>TOTAL:-</u>	<u>\$ 1,308,686</u>

20. NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2014, net investment in capital assets is composed of the following:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
Net Capital Assets.....	\$ 50,228,968	\$ 8,597	\$ 50,237,565

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Net Capital Asset Related			
Debt.....	( 49,496,983)		( 49,496,983)
Premium on Debt.....	( 1,359,321)		( 1,359,321)
Deferred Amounts on Refunding.....	<u>1,094,184</u>	<u>                    </u>	<u>1,094,184</u>
<b><u>TOTAL:-</u></b>	<b><u>\$ 466,848</u></b>	<b><u>\$ 8,597</u></b>	<b><u>\$ 475,445</u></b>

21. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In March 2012, GASB issued Statement Number 65, "Items Previously Reported as Assets and Liabilities". This Statement provides guidance for reclassifying certain items as deferred outflows of resources or deferred inflows of resources. The Statement further requires reclassification of certain items previously recorded as assets and liabilities to be presented as expenses or revenues. The specific accounts impacting the School District are detailed below:

Bond Issuance Costs - Previous standards required that certain costs associated with the issuance of bonds, including underwriter's discounts, be recognized as an asset and amortized over the life of the bonds. Statement Number 65 requires that bond issuance costs be fully expensed at issuance.

Gain/Loss on Refunding of Debt - Previous standards required that the gain or loss associated with refunding of debt be reported net of the debt on the statement of net position. Statement Number 65 defines this balance as a deferred outflow of resources or deferred inflow of resources.

The financial statements have been restated to recognize the implementation of GASB 65. The Statement requires that the cumulative effect of applying this statement should be reported by restatement of beginning net position for the earliest period presented. The following is a summary of adjustments to the financial statements at June 30, 2014:

	<u>GOVERNMENTAL</u>
Decrease in Unamortized Bond Issue Costs.....	(\$ 580,245)
Decrease in Unrestricted Net Assets.....	<u>580,245</u>
<b><u>TOTAL:-</u></b>	<b><u>\$ 0</u></b>

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2014

22. SUBSEQUENT EVENTS

The School District has adopted FASB ASC 855-10, "Subsequent Events", which requires an entity to recognize in the financial statements the effects of significant, material subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity is required to disclose the nature of the event, as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, FASB ASC 855-10 requires an entity to disclose the date through which subsequent events have been evaluated. The School District has evaluated subsequent events through the issuance of its statements on October 1, 2014.

CONNEAUT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

	SOURCE CODE	FEDERAL C.F.D.A. NUMBERS	PASS THROUGH GRANTOR'S NUMBERS	GRANT PERIOD BEGINNING/ENDING	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE JULY 1, 2013	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE JUNE 30, 2014
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>										
<u>PASSED THROUGH THE PENNSYLVANIA</u>										
<u>DEPARTMENT OF EDUCATION -</u>										
<u>Nutrition Cluster (B) -</u>										
Severe Need Breakfast Program...	I	10.553	105-20-103-3	07/01/11 - 06/30/12	\$ 176,344	\$ 45,914	\$ 45,914	\$ 146,003	\$ 146,003	\$ 0
Severe Need Breakfast Program...	I	10.553	105-20-103-3	07/01/13 - 06/30/14	146,003	120,260				25,743
<u>SUBTOTAL C.F.D.A. NUMBER 10.553:-</u>										
National School Lunch Program...	I	10.555	105-20-103-3	07/01/13 - 06/30/14	456,289	\$ 382,652	\$	\$ 456,289	\$ 456,289	\$ 73,637
National School Lunch Program...	I	10.555	105-20-103-3	07/01/12 - 06/30/13	437,949	119,559	\$ 119,559			0
<u>Value of U.S.D.A. Donated</u>										
<u>Commodities (Non-Cash</u>										
<u>Assistance) National School</u>										
<u>Lunch Program.....</u>										
I	10.555		2-14-20-103	07/01/12 - 06/30/13	N/A	\$ 52,986	(\$ 14,167)	\$ 56,129	\$ 56,129	(\$ 11,024)
<u>SUBTOTAL - C.F.D.A. NUMBER 10.555:-</u>										
<u>TOTAL CHILD NUTRITION CLUSTER (B):-</u>										
National School Lunch Program						\$ 721,371	\$ 151,306	\$ 658,421	\$ 658,421 (2)	\$ 88,356
(State Matching Funds).....	S	N/A	105-20-103-3	07/01/13 - 06/30/14	31,056	\$ 26,109	\$	\$ 31,056	\$ 31,056	\$ 4,947
Severe Need Breakfast Program...	S	N/A	105-20-103-3	07/01/13 - 06/30/14	9,407	7,781		9,407	9,407	1,626
National School Lunch Program										
(State Matching Funds).....	S	N/A	105-20-103-3	07/01/12 - 06/30/13	32,171	8,849	8,849			0
Severe Need Breakfast Program...	S	N/A	105-20-103-3	07/01/12 - 06/30/13	9,443	2,932	2,932			0
<u>SUBTOTAL STATE FUNDS:-</u>										
						\$ 45,671	\$ 11,781	\$ 40,463	\$ 40,463 (1)	\$ 6,573
<u>TOTAL U.S. DEPARTMENT OF</u>										
<u>AGRICULTURE:-</u>										
						\$ 767,042	\$ 163,087	\$ 698,884	\$ 698,884	\$ 94,929
<u>U.S. DEPARTMENT OF EDUCATION:-</u>										
<u>PASSED THROUGH THE PENNSYLVANIA</u>										
<u>DEPARTMENT OF EDUCATION -</u>										
<u>Office of Elementary and Secondary</u>										
<u>Education - Rural Education.....</u>										
I	84.358		007-110098	07/01/13 - 06/30/14	75,550	\$ 79,291	\$ 47,077	\$ 32,214	\$ 32,214	\$ 0
<u>SUBTOTAL - U.S. DEPARTMENT OF</u>										
<u>EDUCATION:-</u>										
						\$ 79,291	\$ 47,077	\$ 32,214	\$ 32,214	\$ 0
<u>U.S. DEPARTMENT OF PUBLIC WELFARE:-</u>										
<u>Medical Assistance Reimbursement..</u>										
I	93.778			07/01/12 - 06/30/13	56,532	\$ 44,085	\$ 44,085	\$ 32,580	\$ 32,580	\$ 32,580
<u>TOTAL FEDERAL ASSISTANCE:-</u>										
						\$ 890,418	\$ 254,249	\$ 763,678	\$ 763,678	\$ 127,509

Black, Bashor & Porsch, LLP  
 CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

TEST OF 25% RULE

Total Expenditures.....	\$ 763,678
LESS: State Matching Funds (1).....	( 40,463)
	<u>\$ 723,215</u>
TOTAL FEDERAL EXPENDITURES:-	
C.F.D.A. Number 10.553 - 10.555 Child Nutrition Cluster (2).....	\$ 658,421
	<u>\$ 658,421</u>
TOTAL MAJOR PROGRAMS:-	
	\$ 723,215
	= <u>91%</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

(A) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Conneaut School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(B) Cluster as defined by Circular Number A-133, "Audits of States, Local Governments, and Non-Profit Organizations".

SOURCE CODES:

- I - Indirect Federal Funding
- D - Direct Federal Funding
- S - State Funding

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

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Conneaut School District  
Linesville, Pennsylvania 16424

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 and each major fund of the Conneaut School District, Pennsylvania, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Conneaut School District, Pennsylvania, basic financial statements, and have issued our report thereon dated October 1, 2014.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Conneaut School District, Pennsylvania, 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, Pennsylvania, internal control. Accordingly, we do not express an opinion on the effectiveness of the Conneaut School District, Pennsylvania, 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 the Conneaut School District, Pennsylvania, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

*Black Bashor & Porsch LLP*

Sharon, Pennsylvania  
October 1, 2014

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Conneaut School District  
Linesville, Pennsylvania 16424

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the compliance of the Conneaut School District, Pennsylvania, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement" that could have a direct and material effect on each of the Conneaut School District, Pennsylvania, federal programs for the year ended June 30, 2014. The Conneaut School District, Pennsylvania, major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the Conneaut School District, Pennsylvania, 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis,

evidence about the Conneaut School District, Pennsylvania, 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 the Conneaut School District, Pennsylvania, compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Conneaut School District, Pennsylvania, 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, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Conneaut School District, Pennsylvania, 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 the Conneaut School District, Pennsylvania, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conneaut School District, Pennsylvania, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Black Bashor & Porsch LLP*

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Sharon, Pennsylvania  
October 1, 2014

CONNEAUT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Conneaut School District, Pennsylvania.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the 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".
3. No instances of noncompliance material to the financial statements of the Conneaut School District, Pennsylvania, were disclosed during the audit.

FEDERAL AWARDS

1. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance For Each Major Federal Program, and Report on Internal Control Over Compliance.
2. The auditors' report on compliance for the major federal award programs for the Conneaut School District, Pennsylvania, expresses an unqualified opinion.
3. Audit findings relative to the major federal award programs for the Conneaut School District, Pennsylvania, are reported in Part C of this Schedule.
4. The programs tested as major programs include:

<u>NAME</u>	<u>C.F.D.A. NUMBERS</u>
<u>Child Nutrition Cluster -</u>	
Severe Need Breakfast Program.....	10.553
National School Lunch Program.....	10.555

5. The threshold for distinguishing Types A and B programs was \$ 300,000.
6. The Conneaut School District, Pennsylvania, was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

(UNAUDITED)

	BUDGETED AMOUNTS			VARIANCE
	ORIGINAL	FINAL	ACTUAL	WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES:-</b>				
Local Revenues	\$ 15,918,456	\$ 16,263,384	\$ 16,703,937	\$ 440,553
State Program Revenues	18,132,262	18,157,509	18,435,899	278,390
Federal Program Revenues	317,600	383,296	386,925	3,629
<b>TOTAL REVENUES:-</b>	<b>\$ 34,368,318</b>	<b>\$ 34,804,189</b>	<b>\$ 35,526,761</b>	<b>\$ 722,572</b>
<b>EXPENDITURES:-</b>				
Regular Programs	\$ 11,695,291	\$ 11,866,184	\$ 11,715,528	\$ 150,656
Special Programs	3,793,710	3,749,454	3,746,034	3,420
Vocational Programs	1,918,764	1,926,348	1,930,888	(4,540)
Other Instructional Programs	1,138,173	1,079,846	1,012,752	67,094
Pupil Personnel Services	723,057	731,857	697,382	34,475
Instructional Staff Services	836,692	1,088,004	932,213	155,791
Administrative Services	2,369,979	2,365,876	2,321,885	43,991
Pupil Health	403,715	403,715	392,106	11,609
Business Services	478,476	478,476	471,272	7,204
Operation and Maintenance of Plant Services	2,901,694	2,979,674	2,800,339	179,335
Student Transportation Services	3,485,812	3,485,812	3,751,940	(266,128)
Central Services	709,338	705,621	646,586	59,035
Other Support Services	52,300	52,300	52,593	(293)
Student Activities	428,731	432,475	671,332	(238,857)
Community Services	2,000	27,726	23,025	4,701
Facilities Acquisition and Construction	13,500	2,495	2,495	0
Debt Service	119,530	119,530	119,530	0
<b>TOTAL EXPENDITURES:-</b>	<b>\$ 31,070,762</b>	<b>\$ 31,495,393</b>	<b>\$ 31,287,900</b>	<b>\$ 207,493</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</b>				
	<b>\$ 3,297,556</b>	<b>\$ 3,308,796</b>	<b>\$ 4,238,861</b>	<b>\$ 930,065</b>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2014

(UNAUDITED)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):-</u>				
Interfund Transfers In	\$ 0	\$ 0	\$ 11,646	\$ 11,646
Refunds of Prior Year Expenditure	15,000	15,000	387,472	372,472
Interfund Transfers Out	(3,380,383)	(3,441,009)	(3,442,177)	(1,168)
Refunds of Prior Year Revenues	(14,958)	(14,958)	(172,835)	(157,877)
Sale of Assets	500	500	6,809	6,309
Budgetary Reserve	(200,000)	(150,614)	0	150,614
<u>TOTAL OTHER FINANCING</u>				
<u>SOURCES (USES):-</u>				
	\$ (3,579,841)	\$ (3,591,081)	\$ (3,209,085)	\$ 381,996
<u>NET CHANGE IN FUND</u>				
<u>BALANCE:-</u>				
	\$ (282,285)	\$ (282,285)	\$ 1,029,776	\$ 1,312,061
<u>INCREASE (DECREASE) IN RESERVE FOR</u>				
<u>MATERIALS AND SUPPLIES:-</u>				
	0	0	7,309	7,309
<u>INCREASE (DECREASE) IN RESERVE FOR</u>				
<u>PROGRAMS AND GRANTS:-</u>				
	0	0	4,247	4,247
<u>BEGINNING FUND BALANCE:-</u>				
	10,276,697	10,276,697	11,308,104	1,031,407
<u>ENDING FUND BALANCE:-</u>				
	\$ 9,994,412	\$ 9,994,412	\$ 12,349,436	\$ 2,355,024

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

(UNAUDITED)

<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS (a)</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u> <u>(AAL)</u> <u>PROJECTED</u> <u>UNIT CREDIT</u> <u>(b)</u>	<u>UNFUNDED</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>FUNDED</u> <u>RATIO</u> <u>(a ÷ b)</u>	<u>COVERED</u> <u>PAYROLL (c)</u>	<u>UAAL</u> <u>AS A</u> <u>PERCENTAGE</u> <u>OF COVERED</u> <u>PAYROLL</u> <u>[(b - a) ÷ c]</u>
12/01/07	\$ 0	\$ 7,473,943	\$ 7,473,943	0.0%	\$ 12,533,331	59.63%
12/01/09	0	8,162,098	8,162,098	0.0%	12,791,709	63.81%
12/01/11	0	10,190,168	10,190,168	0.0%	12,228,741	83.33%



CONNEAUT SCHOOL DISTRICT

SUMMARY STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY

GENERAL FUND

AS OF JUNE 30, 2008 TO 2014

	2014	2013	2012	2011	2010	2009	2008
<b>ASSETS:-</b>							
Cash and Cash Equivalents	\$ 14,434,266	\$ 13,581,514	\$ 11,126,775	\$ 9,329,518	\$ 2,774,187	\$ 4,214,926	\$ 1,198,273
Investments	0	0	0	0	5,000,000	4,000,000	5,864,000
Receivables -							
Taxes	2,230,577	2,443,945	2,526,438	2,619,937	2,339,554	2,122,617	1,996,735
Due from Other Governments	1,629,290	1,283,618	814,729	1,524,256	1,752,130	822,271	1,334,020
Other	15,180	14,000	13,590	14,103	19,592	29,166	15,024
Due from Other Funds	172,113	57,612	71,742	23,570	23,017	44,393	
Prepaid Expenditures	49,699	21,767	71,742	23,570	23,017	20,200	18,319
Inventories	96,941	89,632	102,793	104,926	98,193	95,890	97,611
<b>TOTAL ASSETS:-</b>	<b>\$ 18,628,066</b>	<b>\$ 17,492,088</b>	<b>\$ 14,656,067</b>	<b>\$ 13,616,310</b>	<b>\$ 12,006,673</b>	<b>\$ 11,349,463</b>	<b>\$ 10,523,982</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:-</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</b>	<b>\$ 18,628,066</b>	<b>\$ 17,492,088</b>	<b>\$ 14,656,067</b>	<b>\$ 13,616,310</b>	<b>\$ 12,006,673</b>	<b>\$ 11,349,463</b>	<b>\$ 10,523,982</b>
<b>LIABILITIES:-</b>							
Accounts Payable	\$ 1,211,500	\$ 1,207,122	\$ 1,258,644	\$ 1,284,123	\$ 1,461,596	\$ 1,873,953	\$ 1,383,627
Prepayment from Persons or Firms	202,541	210,426	208,695	195,778	182,428	145,176	132,391
Due to Other Funds	8,072	6,737	4,967	4,069	8,837	6,219	6,635
Unearned Revenues	2,097,432	2,304,311	2,402,087	2,625,755	2,357,761	1,748,276	1,996,735
Accrued Salaries and Benefits	2,759,085	2,455,388	1,936,842	2,109,252	2,019,010	2,007,114	1,985,446
<b>TOTAL LIABILITIES:-</b>	<b>\$ 6,278,630</b>	<b>\$ 6,183,984</b>	<b>\$ 5,811,235</b>	<b>\$ 6,218,977</b>	<b>\$ 6,029,632</b>	<b>\$ 5,780,738</b>	<b>\$ 5,504,834</b>
<b>DEFERRED INFLOWS OF RESOURCES:-</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</b>	<b>\$ 6,278,630</b>	<b>\$ 6,183,984</b>	<b>\$ 5,811,235</b>	<b>\$ 6,218,977</b>	<b>\$ 6,029,632</b>	<b>\$ 5,780,738</b>	<b>\$ 5,504,834</b>
<b>FUND EQUITY:-</b>							
Fund Balance Restricted	\$ 16,634	\$ 12,387	\$ 20,783	\$ 15,003	\$ 6,138	\$ 8,222	\$ 11,281
Nonspendable Fund Balance	146,640	111,399	174,535	128,496	98,193	95,890	97,611
Fund Balance - Assigned	9,286,162	8,284,318	5,749,514	4,353,834	304,860	304,860	304,860
Unassigned Fund Balance	2,900,000	2,900,000	2,900,000	2,900,000	5,567,850	5,159,753	4,605,396
<b>TOTAL FUND EQUITY:-</b>	<b>\$ 12,349,436</b>	<b>\$ 11,308,104</b>	<b>\$ 8,844,832</b>	<b>\$ 7,397,333</b>	<b>\$ 5,977,041</b>	<b>\$ 5,568,725</b>	<b>\$ 5,019,148</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY:-</b>	<b>\$ 18,628,066</b>	<b>\$ 17,492,088</b>	<b>\$ 14,656,067</b>	<b>\$ 13,616,310</b>	<b>\$ 12,006,673</b>	<b>\$ 11,349,463</b>	<b>\$ 10,523,982</b>

CONNEAUT SCHOOL DISTRICT

SUMMARY STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2008 TO 2014

	2014	2013	2012	2011	2010	2009	2008
<b>REVENUES:-</b>							
Local Sources	\$ 16,703,937	\$ 16,476,164	\$ 16,039,060	\$ 15,790,853	\$ 15,176,176	\$ 14,877,805	\$ 15,503,614
State Sources	18,435,899	17,641,865	17,536,687	17,113,121	17,957,819	18,397,756	16,789,303
Federal Sources	386,925	443,232	427,022	3,063,960	1,678,184	615,045	457,508
<b>TOTAL REVENUES:-</b>	<b>\$ 35,526,761</b>	<b>\$ 34,561,261</b>	<b>\$ 34,002,769</b>	<b>\$ 35,967,934</b>	<b>\$ 34,212,179</b>	<b>\$ 33,890,606</b>	<b>\$ 32,750,425</b>
<b>EXPENDITURES:-</b>							
Instruction	\$ 18,405,202	\$ 17,196,613	\$ 17,030,710	\$ 18,653,116	\$ 17,924,682	\$ 17,670,491	\$ 16,960,761
Support Services	12,066,316	11,512,105	11,003,927	11,381,812	11,041,821	10,998,305	10,407,844
Operation of Non-Instruction Services	694,337	674,900	786,043	782,688	651,549	644,800	674,470
Facilities Acquisition and Construction	2,495	0	0	890	12,149	2,680	6,321
Other Outlays	119,530	235,605	349,946	1,429,357	1,417,445	1,407,474	1,410,594
<b>TOTAL EXPENDITURES:-</b>	<b>\$ 31,287,900</b>	<b>\$ 29,619,223</b>	<b>\$ 29,170,626</b>	<b>\$ 32,247,863</b>	<b>\$ 31,047,646</b>	<b>\$ 30,723,750</b>	<b>\$ 29,459,990</b>
<b>REVENUES OVER EXPENDITURES:-</b>	<b>\$ 4,238,861</b>	<b>\$ 4,942,038</b>	<b>\$ 4,832,143</b>	<b>\$ 3,720,071</b>	<b>\$ 3,164,533</b>	<b>\$ 3,166,856</b>	<b>\$ 3,290,435</b>
<b>OTHER FINANCING SOURCES (USES):-</b>							
Refund of Prior Years' Expenditures	\$ 387,472	\$ 579,040	\$ 202,043	\$ 466,577	\$ 66,445	\$ 19,362	\$ 93,478
Operating Transfers - Out	(3,442,177)	(3,030,104)	(3,576,381)	(2,785,154)	(2,796,695)	(2,630,961)	(2,652,062)
Proceeds from Sale of Assets	6,809	1,461	0	450	350	300	64,645
Refund of Prior Years' Revenues	(172,835)	(7,606)	(13,953)	(5,436)	(26,656)	(1,201)	(3,132)
Operating Transfers - In	11,646	0	0	8,186			
<b>TOTAL OTHER FINANCING SOURCES (USES):-</b>	<b>\$ (3,209,085)</b>	<b>\$ (2,457,209)</b>	<b>\$ (3,388,291)</b>	<b>\$ (2,315,377)</b>	<b>\$ (2,756,556)</b>	<b>\$ (2,612,500)</b>	<b>\$ (2,497,071)</b>
<b>TOTAL REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):-</b>	<b>\$ 1,029,776</b>	<b>\$ 2,484,829</b>	<b>\$ 1,443,852</b>	<b>\$ 1,404,694</b>	<b>\$ 407,977</b>	<b>\$ 554,356</b>	<b>\$ 793,364</b>
<b>INCREASE (DECREASE) IN MATERIAL AND SUPPLIES:-</b>	7,309	(13,161)	(2,133)	6,733	2,303	(1,720)	(10,474)
<b>INCREASE (DECREASE) IN RESERVE FOR PROGRAMS AND GRANTS:-</b>	4,247	(8,396)	5,780	8,865	(1,964)	(3,059)	2,751
<b>BEGINNING FUND BALANCE:-</b>	11,308,104	8,844,832	7,397,333	5,977,041	5,568,725	5,019,148	4,233,507
<b>ENDING FUND BALANCE - JUNE 30:-</b>	<b>\$ 12,349,436</b>	<b>\$ 11,308,104</b>	<b>\$ 8,844,832</b>	<b>\$ 7,397,333</b>	<b>\$ 5,977,041</b>	<b>\$ 5,568,725</b>	<b>\$ 5,019,148</b>

CONNEAUT SCHOOL DISTRICT  
STATEMENTS OF ASSETS, LIABILITIES AND FUND EQUITY  
GENERAL FUND  
AS OF JUNE 30, 2014 AND 2013

EXHIBIT "C"

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalents	\$ 14,434,266	\$ 13,581,514
Inter-Governmental Receivables	1,629,290	1,283,618
Other Receivables	15,180	14,000
Delinquent Taxes Receivable	2,230,577	2,443,945
Prepaid Expenses	49,699	21,767
Inventories	96,941	89,632
Due from Other Funds	172,113	57,612
	<hr/>	<hr/>
<u>TOTAL ASSETS:-</u>	<u>\$ 18,628,066</u>	<u>\$ 17,492,088</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>		
	\$ 0	\$ 0
	<hr/>	<hr/>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 18,628,066</u>	<u>\$ 17,492,088</u>
<u>LIABILITIES:-</u>		
Interfund Payables	\$ 8,072	\$ 6,737
Accounts Payable	1,211,500	1,207,122
Accrued Salaries and Benefits	2,759,085	2,455,388
Unearned Revenues	2,097,432	2,304,311
Prepayments	202,541	210,426
	<hr/>	<hr/>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 6,278,630</u>	<u>\$ 6,183,984</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>		
	\$ 0	\$ 0
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 6,278,630</u>	<u>\$ 6,183,984</u>
<u>FUND EQUITY:-</u>		
<u>Fund Balances -</u>		
Restricted for Specific Purposes	\$ 16,634	\$ 12,387
Assigned for Employee Benefit Trust	366,224	366,224
Nonspendable - Inventory	96,941	89,632
Nonspendable - Prepaids	49,699	21,767
<u>Assigned for Subsequent Years' Budgets -</u>		
2013 - 2014		282,285
2014 - 2015	146,519	1,941,263
2015 - 2016	1,574,537	3,108,063
2016 - 2017	2,637,639	2,586,483
2017 - 2018	3,564,353	
2018 - 2019	96,890	
Unassigned	2,900,000	2,900,000
	<hr/>	<hr/>
<u>TOTAL FUND EQUITY:-</u>	<u>\$ 12,349,436</u>	<u>\$ 11,308,104</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY:-</u>		
	<u>\$ 18,628,066</u>	<u>\$ 17,492,088</u>
	<hr/>	<hr/>

ANALYSIS OF CHANGES IN FUND EQUITY

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>BEGINNING FUND EQUITY:-</u>	\$ 11,308,104	\$ 8,844,832
<u>ADD:</u> Revenues and Other Financing Sources	<u>35,932,688</u>	<u>35,141,762</u>
	\$ 47,240,792	\$ 43,986,594
<u>LESS:</u> Expenditures and Other Financing Uses	<u>(34,902,912)</u>	<u>(32,656,933)</u>
<u>INCREASE (DECREASE) IN MATERIAL AND SUPPLY:-</u>	7,309	(13,161)
<u>INCREASE (DECREASE) IN FUNDS AND GRANTS:-</u>	<u>4,247</u>	<u>(8,396)</u>
<u>ENDING FUND EQUITY:-</u>	<u>\$ 12,349,436</u>	<u>\$ 11,308,104</u>

DETAILED SCHEDULE OF REVENUES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014		VARIANCE	2013
	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
<u>REVENUES FROM LOCAL SOURCES:-</u>				
Current Real Estate Taxes	\$ 11,396,628	\$ 11,528,235	\$ 131,607	\$ 11,388,308
Public Utility Realty Tax	19,000	18,498	(502)	19,208
Current Payments in Lieu of Tax	95,000	108,031	13,031	108,031
Per Capita Taxes, Act 679	46,150	44,999	(1,151)	45,522
Per Capita Taxes, Act 51	46,150	44,999	(1,151)	45,522
Earned Income Taxes	1,265,000	1,371,405	106,405	1,519,930
Real Estate Transfer Taxes	135,783	211,284	75,501	202,962
Delinquent Taxes	1,469,600	1,795,273	325,673	1,480,677
Earnings on Temporary Investments	60,000	45,271	(14,729)	47,465
Revenue from Other Intermediate Sources - Federal	1,330,798	1,322,096	(8,702)	1,495,871
Rentals	6,200	6,660	460	6,594
Tuition	33,500	6,095	(27,405)	5,845
Miscellaneous Revenue	181,252	201,091	19,839	110,229
<u>TOTAL REVENUES FROM LOCAL SOURCES:-</u>	<u>\$ 16,085,061</u>	<u>\$ 16,703,937</u>	<u>\$ 618,876</u>	<u>\$ 16,476,164</u>
<u>REVENUES FROM STATE SOURCES:-</u>				
Basic Instructional Subsidy	\$ 10,703,888	\$ 10,713,167	\$ 9,279	\$ 10,554,145
Tuition Institution Children	80,000	42,655	(37,345)	59,894
Homebound Instruction	500	0	(500)	0
Vocational Education	45,580	77,600	32,020	49,813
Special Education of Exceptional Pupils	1,598,414	1,654,479	56,065	1,666,785
Transportation - Regular and Additional	2,288,268	2,467,902	179,634	2,047,406
Rentals and Sinking Fund Payments	649,000	662,656	13,656	705,352
Accountability Block Grant	193,280	193,280	0	193,280
Health Services	59,000	45,459	(13,541)	47,912
Social Security	483,171	497,459	14,288	473,424
Retirement	1,061,161	1,093,745	32,584	873,723
Other Grants	12,687	16,879	4,192	0
Property Tax Reduction Allocation	970,000	970,618	618	970,131
<u>TOTAL REVENUES FROM STATE SOURCES:-</u>	<u>\$ 18,144,949</u>	<u>\$ 18,435,899</u>	<u>\$ 290,950</u>	<u>\$ 17,641,865</u>
<u>REVENUES FROM FEDERAL SOURCES:-</u>				
I.D.E.A. Grant	\$ 322,211	\$ 295,873	\$ (26,338)	\$ 310,589

DETAILED SCHEDULE OF REVENUES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014		VARIANCE FAVORABLE (UNFAVORABLE)	2013 ACTUAL
	FINAL BUDGET	ACTUAL		
ACCESS	17,600	58,839	41,239	56,532
Rural and Low Income Grant	43,485	32,213	(11,272)	75,550
ARRA - Education Jobs		0	0	561
<u>TOTAL REVENUES FROM FEDERAL SOURCES:-</u>				
	\$ 383,296	\$ 386,925	\$ 3,629	\$ 443,232
<u>REFUND OF PRIOR YEARS' EXPENDITURES:-</u>				
	\$ 15,000	\$ 387,472	\$ 372,472	\$ 579,040
<u>SALE OF ASSETS:-</u>				
	\$ 500	\$ 6,809	\$ 6,309	\$ 1,461
<u>TRANSFERS FROM OTHER FUNDS:-</u>				
	\$ 0	\$ 11,646	\$ 11,646	\$ 0
<u>TOTAL REVENUES:-</u>				
	\$ 34,628,806	\$ 35,932,688	\$ 1,303,882	\$ 35,141,762

CONNEAUT SCHOOL DISTRICT

EXHIBIT "F"

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

CAPITAL RESERVE FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Cash	\$ 1,184,955	\$ 2,192,468
<u>TOTAL ASSETS:-</u>	<u>\$ 1,184,955</u>	<u>\$ 2,192,468</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 1,184,955</u>	<u>\$ 2,192,468</u>
 <u>LIABILITIES:-</u>		
Accounts Payable	\$ 26,959	\$ 191,026
Retainage Payable	<u>1,455</u>	<u>31,810</u>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 28,414</u>	<u>\$ 222,836</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 28,414</u>	<u>\$ 222,836</u>
<u>FUND BALANCE RESTRICTED FOR CAPITAL OUTLAY:-</u>	<u>\$ 1,156,541</u>	<u>\$ 1,969,632</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 1,184,955</u>	<u>\$ 2,192,468</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "G"

STATEMENTS OF REVENUES AND EXPENDITURES

CAPITAL RESERVE FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>BEGINNING FUND BALANCE:-</u>	<u>\$ 1,969,632</u>	<u>\$ 2,582,230</u>
<u>REVENUES:-</u>		
Interest Earned	<u>\$ 2,791</u>	<u>\$ 1,742</u>
<u>EXPENDITURES:-</u>		
Professional	\$ 28,449	\$ 121,271
Construction and Repairs	754,522	465,099
Equipment Purchases	28,122	24,598
Bank Fees		68
Advertising	543	3,304
Supplies	<u>4,246</u>	
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 815,882</u>	<u>\$ 614,340</u>
<u>ENDING FUND BALANCE:-</u>	<u>\$ 1,156,541</u>	<u>\$ 1,969,632</u>



CONNEAUT SCHOOL DISTRICT

EXHIBIT "H"

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

ALL DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>2003</u>	<u>2004</u>	<u>2007</u>	<u>2012</u>	<u>2013</u>	
	<u>BOND</u>	<u>BOND</u>	<u>BOND</u>	<u>BOND</u>	<u>BOND</u>	
	<u>SINKING</u>	<u>SINKING</u>	<u>SINKING</u>	<u>SINKING</u>	<u>SINKING</u>	<u>TOTAL</u>
<u>REVENUES:-</u>						
Interest Earnings	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>EXPENDITURES:-</u>						
Debt Service Principal	\$ 1,080,000	\$ 985,000	\$ 170,000	\$ 160,000	\$ 10,000	\$ 2,405,000
Debt Service Interest	29,240	338,128	1,239,904	181,963	86,065	1,875,300
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,109,240</u>	<u>\$ 1,323,128</u>	<u>\$ 1,409,904</u>	<u>\$ 341,963</u>	<u>\$ 96,065</u>	<u>\$ 4,280,300</u>
<u>EXCESS (DEFICIENCY)</u>						
<u>OF REVENUES OVER</u>						
<u>(UNDER)</u>						
<u>EXPENDITURES:-</u>	<u>\$ (1,109,240)</u>	<u>\$ (1,323,128)</u>	<u>\$ (1,409,904)</u>	<u>\$ (341,963)</u>	<u>\$ (96,065)</u>	<u>\$ (4,280,300)</u>
<u>OTHER FINANCING SOURCES</u>						
<u>(USES):-</u>						
Transfers from General Fund	\$ 538,781	\$ 1,061,375	\$ 1,409,904	\$ 336,052	\$ 96,065	\$ 3,442,177
Proceeds from Long-Term Debt					6,955,000	6,955,000
Payment to Bond Escrow Agent					(6,066,639)	(6,066,639)
Bond Issue Costs					(47,320)	(47,320)
Transfer from Other Funds	570,459	261,753				832,212
Transfer to General Fund					(8,829)	(8,829)
Transfer to Other Funds					(832,212)	(832,212)
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	<u>\$ 1,109,240</u>	<u>\$ 1,323,128</u>	<u>\$ 1,409,904</u>	<u>\$ 336,052</u>	<u>\$ 96,065</u>	<u>\$ 4,274,389</u>
<u>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):-</u>						
	\$ 0	\$ 0	\$ 0	\$ (5,911)	\$ 0	\$ (5,911)
<u>BEGINNING FUND BALANCE:-</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,911</u>	<u>0</u>	<u>5,911</u>
<u>ENDING FUND BALANCE:-</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE: Transfers were made between debt service funds, is reclassified in entity-wide.

STATEMENTS OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES,  
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE  
AND STATEMENTS OF REVENUES AND EXPENDITURES

2003 BOND SINKING FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Investments	\$ 0	\$ 0
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES:-</u>	\$ 0	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE:-</u>		
Beginning Balance	\$ 0	\$ 0
<u>R E V E N U E S</u>		
<u>REVENUES:-</u>		
Transfers from General Fund	\$ 538,781	\$ 56,700
Transfers from Other Funds	570,459	
<u>TOTAL REVENUES:-</u>	<u>\$ 1,109,240</u>	<u>\$ 56,700</u>
<u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 29,240	\$ 56,700
Debt Service - Principal	1,080,000	
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,109,240</u>	<u>\$ 56,700</u>
<u>REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ 0	\$ 0
<u>ENDING FUND BALANCE:-</u>	<u>0</u>	<u>0</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATEMENTS OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES,  
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE  
AND STATEMENTS OF REVENUES AND EXPENDITURES

2004 BOND SINKING FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Investments	\$ 0	\$ 0
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES:-</u>	\$ 0	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>FUND BALANCE:-</u>		
Beginning Balance	\$ 0	\$ 0
<u>R E V E N U E S</u>		
<u>REVENUES:-</u>		
Transfers from General Fund	\$ 1,061,375	\$ 1,321,128
Transfers from Other Funds	261,753	
<u>TOTAL REVENUES:-</u>	<u>\$ 1,323,128</u>	<u>\$ 1,321,128</u>
<u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 338,128	\$ 386,128
Debt Service - Principal	985,000	935,000
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,323,128</u>	<u>\$ 1,321,128</u>
<u>REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ 0	\$ 0
<u>ENDING FUND BALANCE:-</u>	0	0
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATEMENTS OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES,  
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE  
AND STATEMENTS OF REVENUES AND EXPENDITURES

2007 BOND SINKING FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Investments	\$ 0	\$ 0
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES:-</u>	\$ 0	\$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>SINKING FUND BALANCE:-</u>		
Beginning Balance	\$ 0	\$ 0
 <u>R E V E N U E S</u>  		
<u>REVENUES:-</u>		
Transfers from General Fund	\$ 1,409,904	\$ 1,411,604
 <u>E X P E N D I T U R E S</u>  		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 1,239,904	\$ 1,246,604
Debt Service - Principal	170,000	165,000
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,409,904</u>	<u>\$ 1,411,604</u>
<u>REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ 0	\$ 0
<u>ENDING FUND BALANCE:-</u>	<u>0</u>	<u>0</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND ENDING FUND BALANCE:-</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATEMENTS OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES,  
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE  
AND STATEMENTS OF REVENUES AND EXPENDITURES

2012 BOND SINKING FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:-</u>		
Investments	\$ 0	\$ 5,911
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 5,911</u>
 <u>LIABILITIES:-</u>	 \$ 0	 \$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>FUND BALANCE:-</u>		
Beginning Balance	\$ 5,911	\$ 0
 <u>R E V E N U E S</u>		
<u>REVENUES:-</u>		
Transfers from General Fund	\$ 336,052	\$ 240,672
 <u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 181,963	\$ 130,672
Debt Service - Principal	160,000	110,000
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 341,963</u>	<u>\$ 240,672</u>
 <u>OTHER FINANCING SOURCES (USES):-</u>		
Proceeds from Long-Term Debt	\$	\$ 7,715,000
Payment to Bond Escrow Agent		(7,590,055)
Bond Discount		(46,290)
Bond Issue Costs		(72,744)
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	<u>\$ 0</u>	<u>\$ 5,911</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES):-</u>	 \$ (5,911)	 \$ 5,911
 <u>ENDING FUND BALANCE:-</u>	 <u>0</u>	 <u>5,911</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	 <u>\$ 0</u>	 <u>\$ 5,911</u>

STATEMENTS OF ASSETS AND DEFERRED OUTFLOWS OF RESOURCES,  
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE  
AND STATEMENTS OF REVENUES AND EXPENDITURES

2013 BOND SINKING FUND

AS OF JUNE 30, 2014

<u>ASSETS:-</u>		
Investments		\$ 0
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>		\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>		<u>\$ 0</u>
<u>LIABILITIES:-</u>		\$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>		\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>		<u>\$ 0</u>
<u>FUND BALANCE:-</u>		
Beginning Balance		\$ 0
<u>R E V E N U E S</u>		
<u>REVENUES:-</u>		
Transfers from General Fund		\$ 96,065
<u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest		\$ 86,065
Debt Service - Principal		10,000
Transfer to General Fund		8,829
Transfer to Other Funds		832,212
<u>TOTAL EXPENDITURES:-</u>		<u>\$ 937,106</u>
<u>OTHER FINANCING SOURCES (USES):-</u>		
Proceeds from Long-Term Debt		\$ 6,955,000
Payment to Bond Escrow Agent		(6,066,639)
Bond Issue Costs		(47,320)
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>		<u>\$ 841,041</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES):-</u>		\$ 0
<u>ENDING FUND BALANCE:-</u>		0
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>		<u>\$ 0</u>

STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE

HENRETTA MEMORIAL LIBRARY BUILDING FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>INVESTMENTS:-</u>		
Savings	\$ 135,511	\$ 133,178
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 135,511</u>	<u>\$ 133,178</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>HENRETTA MEMORIAL LIBRARY BUILDING FUND:-</u>	\$ 135,511	\$ 133,178
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 135,511</u>	<u>\$ 133,178</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "O"

STATEMENTS OF REVENUES AND EXPENDITURES

HENRETTA MEMORIAL LIBRARY BUILDING FUND

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>BEGINNING CASH BALANCE:-</u>	\$ 133,178	\$ 130,843
<u>REVENUES:-</u>		
Transfers from Henretta Trust	\$ 1,675	\$ 1,603
Interest Earned	658	732
<u>TOTAL REVENUES:-</u>	<u>\$ 2,333</u>	<u>\$ 2,335</u>
<u>EXPENDITURES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>ENDING CASH BALANCE:-</u>	<u>\$ 135,511</u>	<u>\$ 133,178</u>



STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

LINESVILLE-CONNEAUT-SUMMIT HIGH SCHOOL MEMORIAL/SCHOLARSHIP FUND

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>A S S E T S</u>		
<u>ASSETS:-</u>		
Investments	<u>\$ 43,151</u>	<u>\$ 42,833</u>
<u>L I A B I L I T I E S   A N D   F U N D   B A L A N C E</u>		
<u>LIABILITIES:-</u>		
	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE:-</u>		
	<u>\$ 43,151</u>	<u>\$ 42,833</u>
<u>TOTAL LIABILITIES AND FUND BALANCE:-</u>		
	<u>\$ 43,151</u>	<u>\$ 42,833</u>

STATEMENT OF REVENUES AND EXPENDITURES

LINESVILLE-CONNEAUT-SUMMIT HIGH SCHOOL MEMORIAL/SCHOLARSHIP FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2013</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>
Dressel Scholarship	\$ 8,836	\$ 56	\$	\$ 8,892
Summers Scholarship	9,954	21		9,975
G/W Line Scholarship	24,043	241		24,284
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTALS:-</u>	<u>\$ 42,833</u>	<u>\$ 318</u>	<u>\$ 0</u>	<u>\$ 43,151</u>

COMBINING STATEMENT OF ASSETS AND LIABILITIES

ALL AGENCY FUNDS

AS OF JUNE 30, 2014

	<u>SPECIAL MAINTENANCE ESCROW</u>	<u>ACTIVITY FUNDS</u>	<u>TOTAL</u>
<u>A S S E T S</u>			
<u>ASSETS:-</u>			
Cash	\$ 27,385	\$ 76,724	\$ 104,109
<u>TOTAL ASSETS:-</u>	<u>\$ 27,385</u>	<u>\$ 76,724</u>	<u>\$ 104,109</u>
<u>L I A B I L I T I E S</u>			
<u>CURRENT LIABILITIES:-</u>			
Special Maintenance Escrow	\$ 27,385		\$ 27,385
Student Activities		76,724	76,724
<u>TOTAL LIABILITIES:-</u>	<u>\$ 27,385</u>	<u>\$ 76,724</u>	<u>\$ 104,109</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "S"

STATEMENTS OF ASSETS AND LIABILITIES

SPECIAL MAINTENANCE ESCROW

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>A S S E T S</u>		
<u>CASH:-</u>	<u>\$ 27,385</u>	<u>\$ 29,855</u>
<u>L I A B I L I T I E S</u>		
<u>SPECIAL MAINTENANCE ESCROW:-</u>	<u>\$ 27,385</u>	<u>\$ 29,855</u>

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

SPECIAL MAINTENANCE ESCROW

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>BEGINNING CASH BALANCE:-</u>	\$ 29,855	\$ 29,135
<u>RECEIPTS:-</u>		
Custodial Deposits	\$ 289	\$ 654
Interest Earned	58	66
<u>    TOTAL RECEIPTS:-</u>	<u>\$ 347</u>	<u>\$ 720</u>
<u>DISBURSEMENTS:-</u>		
Custodial Withdrawals	\$ 0	\$ 0
<u>OTHER FINANCING SOURCES (USES):-</u>		
Transfer to General Fund	\$ (2,817)	\$ 0
<u>    ENDING CASH BALANCE:-</u>	<u>\$ 27,385</u>	<u>\$ 29,855</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "U"

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

ACTIVITY FUNDS

AS OF JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>A S S E T S</u>		
Cash	<u>\$ 76,724</u>	<u>\$ 66,259</u>
<u>L I A B I L I T I E S   A N D   F U N D   B A L A N C E</u>		
<u>LIABILITIES:-</u>		
Accounts Payable	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE:-</u>		
Activity Fund Balance	<u>\$ 76,724</u>	<u>\$ 66,259</u>
<u>TOTAL LIABILITIES AND FUND BALANCE:-</u>	<u>\$ 76,724</u>	<u>\$ 66,259</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT AREA HIGH SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2013</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>
Clef Club	\$ 144	\$	\$ 144	\$ 0
Drama Club	2,774	4,066	4,853	1,987
Environmental Club	532			532
Future Farmers of America	2,467	50,879	48,867	4,479
Spread the Word Club	0	1,804		1,804
Basketball Cheerleaders	0	1,544	1,395	149
National Honor Society	5,711	23,349	24,264	4,796
Pep Club	2,439	3,675	1,588	4,526
Student Council	8,323	3,924	3,615	8,632
Yearbook Account	12,345	13,330	13,351	12,324
Class of 2013	4,202		4,202	0
Class of 2014	6,443	18,813	20,961	4,295
Class of 2015	0	15,933	8,241	7,692
Money Central Club	0	153		153
Football Cheerleaders	0	1,413	1,055	358
Spanish Club	1,953	17,834	14,969	4,818
Woodworking Club	241	931	848	324
Sprint Club	0	1,259	725	534
Peer Helpers	519		519	0
German Club	155	4,727	4,782	100
Book Club	48			48
Friends of Rachel	110			110
Wrestling Cheerleaders	24	559	406	177
<b><u>TOTALS:-</u></b>	<b><u>\$ 48,430</u></b>	<b><u>\$ 164,193</u></b>	<b><u>\$ 154,785</u></b>	<b><u>\$ 57,838</u></b>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT VALLEY MIDDLE SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2013</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>
Band Fund	\$ 266	\$	\$	\$ 266
Cheerleaders	498		44	454
Drama Club	766	1,174	100	1,840
Dodgeball	0	273		273
Student Council	196			196
Yearbook (Valley Echo)	4,421	4,634	4,950	4,105
Student Services	1,223	2,721	979	2,965
Football Club	270		270	0
Girls' Softball	56		56	0
Nu-Vu	0	29		29
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTALS:-</u>	<u>\$ 7,696</u>	<u>\$ 8,831</u>	<u>\$ 6,399</u>	<u>\$ 10,128</u>



STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT LAKE MIDDLE SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2014

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2013</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>
Art Club	\$ 131	\$	\$ 131	\$ 0
Band	253		253	0
Cheerleaders	265	1,288	1,247	306
Chorus	1,021		1,021	0
Tribune Newspaper	197		27	170
Drama Club	891	100	100	891
Key Club	386		386	0
Spanish Club	204		204	0
Inter-Club Council	789	3,769	3,390	1,168
Yearbook	4,055	4,457	4,415	4,097
Student Council - Middle School	1,701	1,382	1,196	1,887
Ecology Club	239			239
Book Club	1			1
	<u>1</u>	<u>          </u>	<u>          </u>	<u>1</u>
<b>TOTALS:-</b>	<u>\$ 10,133</u>	<u>\$ 10,996</u>	<u>\$ 12,370</u>	<u>\$ 8,759</u>

STATISTICAL SUPPLEMENTAL INFORMATION

JUNE 30, 2014

LARGEST REAL ESTATE TAXPAYERS:-

The ten (10) largest real estate taxpayers in 2014 in the School District and their current assessed valuation of real estate are as follows:

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2014 ASSESSED VALUE</u>
J&M Manufacturing Company, Inc.....	Industrial.....	\$ 3,203,525
P.P.G Industries, Inc.....	Industrial.....	1,825,200
Sperry Farms, Inc.....	Commercial.....	1,036,840
Rolling Fields Nursing Home, Inc....	Commercial.....	1,559,049
Esmark Realty Associates PA I, LP...	Commercial.....	692,701
Bortnick Dairy, LLC.....	Residential/Commercial.....	598,775
Palfund Association.....	Commercial.....	584,200
Haase, Mark L. and Rosalie.....	Residential/Commercial.....	540,134
Burns, Brian.....	Residential/Commercial.....	421,200
Iroquois Boating & Fishing Club.....	Commercial.....	407,213

Source: School District Officials

REAL ESTATE VALUATION:-

Shown below is the trend of assessed value and market value for the School District (to the most recent year available):

<u>YEAR</u>	<u>MARKET VALUE</u>	<u>ASSESSED VALUE</u>	<u>RATIO</u>
2003-04	\$ 524,825,700	\$ 248,797,700	47.41%
2004-05	581,139,600	250,781,500	43.15%
2005-06	591,920,900	254,319,900	42.97%
2006-07	653,297,700	258,915,300	39.63%
2007-08	669,320,000	264,482,950	39.52%
2008-09	732,769,900	267,300,357	36.47%
2009-10	745,489,400	271,949,533	36.48%
2010-11	803,231,700	274,901,212	34.22%
2011-12	826,407,600	277,258,379	33.55%
2012-13	866,367,183	278,365,246	32.13%
2013-14	856,540,412	280,709,829	32.77%

Source: State Tax Equalization Board

STATISTICAL SUPPLEMENTAL INFORMATION

JUNE 30, 2014

REAL ESTATE TAX COLLECTIONS:-

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Adjusted					
Assessed Value..	\$ 274,901,206	\$ 274,612,111	\$ 277,661,595	\$ 278,365,246	\$ 280,709,829
Millage Rate.....	48.08	50.05	50.05	50.05	50.05
Levy.....	\$ 13,217,250	\$ 13,744,336	\$ 13,896,963	\$ 13,932,181	\$ 14,049,527
Property Tax					
Reduction					
Allocation.....	\$ 964,963	\$ 970,238	\$ 970,167	\$ 970,131	\$ 970,618
Total					
Collections					
(Current and					
Delinquent).....	\$ 12,139,797	\$ 12,587,845	\$ 13,005,976	\$ 12,868,986	\$ 13,323,508
Percent Total					
Collections to					
Current Levy....	99.1%	98.7%	101%	99.3%	101.7%

Source: School District Officials

DEBT LIMIT AND REMAINING BORROWING CAPACITY

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of total "Revenue" (as defined by the Debt Act), for the three (3) full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12.....	\$ 35,422,373
Total Revenues for 2012-13.....	35,142,917
Total Revenues for 2013-14.....	<u>35,919,357</u>
 <u>TOTAL:-</u>	 <u>\$ 106,484,647</u>
 Annual Arithmetic Average (Borrowing Base).....	 <u>\$ 35,494,882</u>

The borrowing capacity of the School District is regulated by the Debt Act, which establishes the debt limits for local government units, including school districts and municipalities. Under the Debt Act, the School District may incur debt in an unlimited amount when such debt is approved by a majority of the School District's voters at a municipal, general, or primary election. Non-electoral debt, or debt not approved by the School District's electorate, plus net lease rental debt may not exceed 225 percent of the School District's borrowing base, as that term is defined in the Debt Act, after the deduction of any authorized exclusion from lease rental and non-electoral debt, as calculated: \$ 35,494,882 x 225% = \$ 79,863,485.

Source: School District Officials