

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
AND BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
AND SUPPLEMENTARY INFORMATION

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Patty L. Ryser, CPA
Todd M. Davies, CPA
Norbert F. Dietrich, Jr., 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, 2015, 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, 2015.

Black Bashor & Porsch LLP

Sharon, Pennsylvania
November 11, 2015

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TO WHOM IT MAY CONCERN:

The distribution of the Conneaut School District's 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

Sharon, Pennsylvania
November 11, 2015

CONNEAUT SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S 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 Conneaut School District (School District), as of and for the year ended June 30, 2015, 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 as of June 30, 2015, 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

REQUIRED SUPPLEMENTARY INFORMATION

In accordance with "Government Auditing Standards", we have also issued our report dated November 11, 2015, on our consideration of Conneaut School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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, pension plan information, budgetary comparisons, and retiree health plan information on pages 4 to 11, 70 to 71, 72 to 73, and 74, respectively, be presented to supplement the basic financial statements.

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

OTHER INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Conneaut School District's basic financial statements. The statistical supplemental information in Exhibit "W" 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 "W" 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

Sharon, Pennsylvania
November 11, 2015

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

The management's discussion and analysis of Conneaut School District (School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2015. 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 2015 are as follows:

- In total, net position decreased \$ 787 thousand. Net position of governmental activities decreased by \$ 715 thousand and net position of business-type activities decreased by \$ 72 thousand.
- Total revenues were \$ 37.6 million, including \$ 1.1 million of business-type activities. General revenues accounted for \$ 27.2 million in revenue, or 72 percent of all revenues. Program specific revenues, in the form of charges for services and grants, accounted for \$ 10.4 million, or 28 percent of total revenues.
- The School District had \$ 37.2 million in expenses related to governmental activities, \$ 9.3 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$ 27.1 million were insufficient to cover the rest of the expenses, resulting in a decrease in net assets of \$ 787 thousand.
- At the end of the current fiscal year, the unrestricted, unassigned fund balance of the general fund was \$ 2.9 million or 8.2 percent of total general fund expenditures and other financing uses.
- As described in Note "21" to the financial statements, "Adoption of New Accounting Pronouncement", the School District has adopted the provisions of GASB Statement No. 68 Accounting and Financial Reporting for Pensions, for the year ended June 30, 2015. The adoption of this principle resulted in a restatement of the School District's opening net position as of July 1, 2014, in the amount of \$ 38,316,000. Prior year balances reflected in the management's discussion and analysis have been updated, for comparison purposes, to reflect the change.

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

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

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.

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 2015?" 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

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

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.

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 to 18 and 21, 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 2015 compared to 2014 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>						
Cash and Cash Equivalents	\$ 17,306	\$ 15,755	\$ 152	\$ 133	\$ 17,458	\$ 15,888
Taxes Receivable, Net	2,311	2,315			2,311	2,315
Due from Other Governments	1,683	1,710	84	106	1,767	1,816
Other Receivables	16	15	2		18	15
Inventories	92	97	21	11	113	108
Prepaid Expense	120	50			120	50
Net Capital Assets	49,628	50,229	4	9	49,632	50,238
Long-Term Portion - Due from Other Governments	562	574			562	574
Funds in Escrow	839				839	0
<u>TOTAL ASSETS:-</u>	<u>\$ 72,557</u>	<u>\$ 70,745</u>	<u>\$ 263</u>	<u>\$ 259</u>	<u>\$ 72,820</u>	<u>\$ 71,004</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>						
Pension	\$ 4,624	\$ 1,905	\$ 0	\$ 0	\$ 4,624	\$ 1,905

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

	NET POSITION (IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>TOTAL ASSETS AND DEFERRED</u>						
<u>OUTFLOWS OF RESOURCES:-</u>	<u>\$ 77,181</u>	<u>\$ 72,650</u>	<u>\$ 263</u>	<u>\$ 259</u>	<u>\$ 77,444</u>	<u>\$ 72,909</u>
<u>LIABILITIES:-</u>						
Accounts Payable	\$ 1,542	\$ 1,238	\$ 33	\$ 67	\$ 1,575	\$ 1,305
Current Portion Bonds Payable	2,308	2,169			2,308	2,169
Retainage Payable	10	1			10	1
Accrued Salaries and Benefits	2,951	2,759			2,951	2,759
Current Portion Accrued Interest	259	265			259	265
Prepayments	217	203			217	203
Bonds Payable (Net)	47,944	48,539			47,944	48,539
Obligations Under Capital Lease	86	149			86	149
Compensated Absences	1,171	1,226	4	6	1,175	1,232
Accrued Interest Expense	3,528	3,009			3,528	3,009
Other Post-Employment Benefits	4,174	3,564	51	41	4,225	3,605
Unearned Revenue	6	6			6	6
Internal Balances	(265)	(164)	265	164	0	0
Net Pension Liability - Proportionate	39,700	38,316			39,700	38,316
<u>TOTAL LIABILITIES:-</u>	<u>\$ 103,631</u>	<u>\$ 101,280</u>	<u>\$ 353</u>	<u>\$ 278</u>	<u>\$ 103,984</u>	<u>\$ 101,558</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>						
Deferred Amount on Refunding Pension	\$ (1,037) 2,838	\$ (1,094)	\$ 0	\$ 0	\$ (1,037) 2,838	\$ (1,094) 0
<u>TOTAL DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 1,801</u>	<u>\$ (1,094)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,801</u>	<u>\$ (1,094)</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 105,432</u>	<u>\$ 100,186</u>	<u>\$ 353</u>	<u>\$ 278</u>	<u>\$ 105,785</u>	<u>\$ 100,464</u>
<u>NET POSITION:-</u>						
Net Investment in Capital Assets Restricted	\$ 254 1,135	\$ 467 1,309	\$ 4	\$ 9	\$ 258 1,135	\$ 476 1,309
Unrestricted (Deficit)	(29,640)	(29,312)	(94)	(28)	(29,734)	(29,340)
<u>TOTAL NET POSITION (DEFICIT):-</u>	<u>\$ (28,251)</u>	<u>\$ (27,536)</u>	<u>\$ (90)</u>	<u>\$ (19)</u>	<u>\$ (28,341)</u>	<u>\$ (27,555)</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:-</u>	<u>\$ 77,181</u>	<u>\$ 72,650</u>	<u>\$ 263</u>	<u>\$ 259</u>	<u>\$ 77,444</u>	<u>\$ 72,909</u>

Total assets and deferred outflows of resources increased \$ 6.4 million, primarily the result of the \$ 4.6 million increase in deferred outflows of resources related to pensions and the \$ 2.4 million increase in cash, cash equivalents, and funds in escrow.

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

Total liabilities and deferred inflows increased \$ 43.6 million, which is primarily the result of the \$ 40 million increase in outstanding debt, an increase in net pension liability, a \$ 2.8 million increase in deferred inflows related to pensions, a \$.6 million increase in other post-employment benefits.

The following table shows the revenues, expenses, and changes in net position for fiscal year 2015:

	STATEMENT OF ACTIVITIES (IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>REVENUES AND OTHER SOURCES:-</u>						
<u>Program Revenues -</u>						
Charges for Services	\$ 39	\$ 38	\$ 354	\$ 396	\$ 393	\$ 434
Operating Grants and Contributions	9,273	8,760	713	735	9,986	9,495
<u>General Revenues -</u>						
Property, Per Capita, Earned, Other Taxes	16,120	15,876			16,120	15,876
Unrestricted Grants, Subsidies, and Contributions	10,713	10,713			10,713	10,713
Investment Earnings	52	48			52	48
Other	291	266	1	1	292	267
	<u>\$ 36,488</u>	<u>\$ 35,701</u>	<u>\$ 1,068</u>	<u>\$ 1,132</u>	<u>\$ 37,556</u>	<u>\$ 36,833</u>
<u>TOTAL REVENUE AND OTHER SOURCES:-</u>						
<u>PROGRAM EXPENSES AND OTHER USES:-</u>						
Instruction	\$ 19,086	\$ 18,579	\$	\$	\$ 19,086	\$ 18,579
<u>Support Services -</u>						
Pupil Personnel	826	713			826	713
Instructional Staff	1,347	901			1,347	901
Administration and Business	2,905	2,833			2,905	2,833
Pupil Health	400	405			400	405
Operation and Maintenance of Plant Service	2,924	2,863			2,924	2,863
Student Transportation	4,064	3,834			4,064	3,834
Other Support Services	841	715			841	715
Non-Instruction Services	746	709			746	709
Unallocated Depreciation	1,647	1,571			1,647	1,571
Debt Service	2,417	2,686			2,417	2,686
Food Service			1,140	1,224	1,140	1,224
	<u>\$ 37,203</u>	<u>\$ 35,809</u>	<u>\$ 1,140</u>	<u>\$ 1,224</u>	<u>\$ 38,343</u>	<u>\$ 37,033</u>
<u>TOTAL EXPENSES AND OTHER USES:-</u>						
<u>INCREASE (DECREASE) IN NET POSITION:-</u>						
	<u>\$ (715)</u>	<u>\$ (108)</u>	<u>\$ (72)</u>	<u>\$ (92)</u>	<u>\$ (787)</u>	<u>\$ (200)</u>

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

STATEMENT OF ACTIVITIES (IN THOUSANDS)						
	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2015	2014	2015	2014	2015	2014
TOTAL EXPENSES AND OTHER USES:-	\$ 37,203	\$ 35,809	\$ 1,140	\$ 1,224	\$ 38,343	\$ 37,033
INCREASE (DECREASE) IN NET POSITION:-	\$ (715)	\$ (108)	\$ (72)	\$ (92)	\$ (787)	\$ (200)

GOVERNMENTAL ACTIVITIES

Governmental activities for 2015 resulted in a decrease in net position of \$ 715 thousand. The decrease is primarily the result of an increase in costs with conversion to government-wide financials, offset by an increase in grants and tax revenue.

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 51 percent instruction, 36 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 \$ 1.07 million and expenses of \$ 1.14 million. While this activity receives no support from tax revenue, this program receives federal and state grants and in-kind contributions of \$.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 \$ 51.2 million, and expenditures and net other financing uses of approximately \$ 50.1 million. The increase in fund balance of \$ 1.1 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 74 percent of total revenues and net other financing sources and 73 percent of net expenditures and other financing uses.

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

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.

The revenue and other sources budget was approximately \$ 35.5 million. Actual revenue exceeded budgeted amounts by approximately \$ 2.3 million. This was primarily the result of revenues over budget for various categories of local, state, and federal revenues, as well as the effect of proceeds from external term financing.

The expenditure and other uses budget was approximately \$ 35.7 million compared to actual expenditures and other uses of \$ 36.5 million. A review of budget to actual expenditures indicates all expense lines were below budget aside from facilities acquisition and construction in conjunction with debt proceeds with mortgage agreement.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2015, the School District had \$ 49.6 million invested in land, buildings, and equipment (cost \$ 71.8 million, less accumulated depreciation of \$ 22.2 million).

DEBT ADMINISTRATION

At June 30, 2015, the School District had approximately \$ 49.3 million in net bonds and capital lease obligations outstanding, with \$ 2.3 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, 2015, 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.

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 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

CONNEAUT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

UNAUDITED

School District will have to continue to monitor the budget closely. Also, the preceding information shows the effect of the net pension liability which was \$ 39.7 million in conformity with new standards.

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 Mr. Gregory Mayle at Conneaut School District, 219 West School Drive, Linesville, Pennsylvania 16424.

CONNEAUT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>		<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS:-							
CURRENT ASSETS:-				LIABILITIES:-			
Cash and Cash Equivalents	\$ 17,306,188	\$ 152,018	\$ 17,458,206	CURRENT LIABILITIES:-	\$ 1,541,948	\$ 32,787	\$ 1,574,735
Taxes Receivable, Net	2,311,079		2,311,079	Accounts Payable	10,000		10,000
Due from Other Governments	1,683,613	84,427	1,768,040	Retainage Payable	258,699		258,699
Other Receivables	15,660	1,913	17,573	Accrued Interest Expense	2,308,234		2,308,234
Inventories	91,571	20,832	112,403	Current Portion of Bonds Payable	55,045		55,045
Prepaid Expenses	119,988		119,988	Current Portion of Capital Lease			
Financing in Escrow	838,786		838,786	Accrued Salaries, Benefits, and Withholdings	2,951,015		2,951,015
TOTAL CURRENT ASSETS:-	\$ 22,366,885	\$ 259,190	\$ 22,626,075	Prepayments	217,209		217,209
				Compensated Absences	17,256		17,256
				Unearned Revenue	5,778		5,778
				Internal Balances	(265,039)	265,039	0
NON-CURRENT ASSETS:-				TOTAL CURRENT LIABILITIES:-	\$ 7,100,145	\$ 297,826	\$ 7,397,971
Capital Assets -				NON-CURRENT LIABILITIES:-			
Land	\$ 143,972	\$	\$ 143,972	Capital Lease	\$ 31,056	\$	\$ 31,056
Land and Site Improvements	1,475,426		1,475,426	Bonds Payable, Net of Current Portion	47,944,380		47,944,380
Building and Building Improvements	65,674,370		65,674,370	Compensated Absences	1,153,626	4,319	1,157,945
Furniture and Equipment	3,113,373	253,326	3,366,699	Accrued Interest Expense	3,527,690		3,527,690
Vehicles	185,858		185,858	Other Post-Employment Benefits	4,174,404	51,369	4,225,773
Assets Under Capital Lease	213,622		213,622	Net Pension Liability - Proportionate Share	39,700,000		39,700,000
Construction-in-Process	705,059		705,059	TOTAL NON-CURRENT LIABILITIES:-	\$ 96,531,156	\$ 55,688	\$ 96,586,844
Accumulated Depreciation	(21,883,907)	(249,577)	(22,133,484)	TOTAL LIABILITIES:-	\$ 103,631,301	\$ 353,514	\$ 103,984,815
NET CAPITAL ASSETS:-				DEFERRED INFLOWS OF RESOURCES:-			
Due from Other Governments	\$ 49,627,773	\$ 3,749	\$ 49,631,522	Deferred Amount on Refunding Pension	\$ (1,037,512)	\$ 0	\$ (1,037,512)
	562,186	0	562,186	TOTAL DEFERRED INFLOWS OF RESOURCES:-	\$ 1,800,488	\$ 0	\$ 1,800,488
TOTAL NON-CURRENT ASSETS:-	\$ 50,189,959	\$ 3,749	\$ 50,193,708	TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-	\$ 105,431,789	\$ 353,514	\$ 105,785,303
TOTAL ASSETS:-	\$ 72,556,844	\$ 262,939	\$ 72,819,783	NET POSITION:-			
				Net Investment in Capital Assets	\$ 254,570	\$ 3,749	\$ 258,319
				Restricted for Specific Use	1,134,567		1,134,567
				Unrestricted (Deficit)	(29,639,996)	(94,324)	(29,734,320)
DEFERRED OUTFLOWS OF RESOURCES:-	\$ 4,624,086	\$ 0	\$ 4,624,086	TOTAL NET POSITION (DEFICIT):-	\$ (28,250,859)	\$ (90,575)	\$ (28,341,434)
Pension				TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION:-	\$ 77,180,930	\$ 262,939	\$ 77,443,869

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:-						
INSTRUCTIONAL SERVICES:-						
Regular Instruction	\$ 12,530,222	\$	\$ 1,313,653	\$ (11,216,569)	\$	\$ (11,216,569)
Special Instruction	4,136,114		2,441,235	(1,694,879)		(1,694,879)
Vocational Instruction	2,100,575		666,120	(1,434,455)		(1,434,455)
Other Instructional Programs	319,403	6,541	84,175	(228,687)		(228,687)
TOTAL INSTRUCTIONAL SERVICES:-	\$ 19,086,314	\$ 6,541	\$ 4,505,183	\$ (14,574,590)	\$ 0	\$ (14,574,590)
SUPPORT SERVICES:-						
Pupil Personnel	\$ 825,708	\$	\$ 54,391	\$ (771,317)	\$	\$ (771,317)
Instructional Staff Services	1,347,319		457,737	(889,582)		(889,582)
Administrative Services	2,387,478		157,111	(2,230,367)		(2,230,367)
Pupil Health	399,778		70,491	(329,287)		(329,287)
Business Services	517,135		34,065	(483,070)		(483,070)
Operation and Maintenance of Plant Services	2,923,682		194,018	(2,729,664)		(2,729,664)
Student Transportation Services	4,064,089		2,805,585	(1,258,504)		(1,258,504)
Central Services	784,729		51,692	(733,037)		(733,037)
Other Support Services	55,803		3,676	(52,127)		(52,127)
TOTAL SUPPORT SERVICES:-	\$ 13,305,721	\$ 0	\$ 3,828,766	\$ (9,476,955)	\$ 0	\$ (9,476,955)
NON-INSTRUCTIONAL SERVICES:-						
Student Activities	\$ 732,284	\$ 32,821	\$ 69,614	\$ (629,849)	\$	\$ (629,849)
Community Services	14,185		153,315	139,130		139,130
TOTAL NON-INSTRUCTIONAL SERVICES:-	\$ 746,469	\$ 32,821	\$ 222,929	\$ (490,719)	\$ 0	\$ (490,719)
UNALLOCATED EXPENSES:-						
Depreciation	\$ 1,647,075	\$	\$ 716,019	\$ (1,647,075)	\$	\$ (1,647,075)
Debt Service	2,417,358			(1,701,339)		(1,701,339)
TOTAL UNALLOCATED EXPENSES:-	\$ 4,064,433	\$ 0	\$ 716,019	\$ (3,348,414)	\$ 0	\$ (3,348,414)
TOTAL GOVERNMENTAL ACTIVITIES:-	\$ 37,202,937	\$ 39,362	\$ 9,272,897	\$ (27,890,678)	\$ 0	\$ (27,890,678)
BUSINESS-TYPE ACTIVITIES:-						
Food Services	\$ 1,139,910	\$ 353,912	\$ 713,044	\$ 0	\$ (72,954)	\$ (72,954)
TOTAL:-	\$ 38,342,847	\$ 393,274	\$ 9,985,941	\$ (27,890,678)	\$ (72,954)	\$ (27,963,632)

The Accompanying Notes are an Integral Part of These Statements

CONNENAUT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
	\$ 14,359,120	\$	\$ 14,359,120
	1,761,131		1,761,131
	10,713,142		10,713,142
	51,530	189	51,719
	178,159	819	178,978
	98,524		98,524
	<u>14,365</u>		<u>14,365</u>
	<u>\$ 27,175,971</u>	<u>\$ 1,008</u>	<u>\$ 27,176,979</u>
	\$ (714,707)	\$ (71,946)	\$ (786,653)
	<u>(27,536,152)</u>	<u>(18,629)</u>	<u>(27,554,781)</u>
	<u>\$ (28,250,859)</u>	<u>\$ (90,575)</u>	<u>\$ (28,341,434)</u>

TOTAL GENERAL REVENUES AND SPECIAL ITEMS:-

CHANGE IN NET POSITION:-

NET POSITION - BEGINNING RESTATED (DEFICIT):-

NET POSITION - ENDING:-

The Accompanying Notes are an Integral Part of These Statements

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:-					
Cash and Cash Equivalents	\$ 16,088,327	\$ 1,074,099	\$ 6,208	\$ 137,554	\$ 17,306,188
Receivables:-					
Taxes, Net	2,225,683				2,225,683
Due from Other Governmental Units	1,537,476				1,537,476
Other	15,660				15,660
Consumable Supplies	91,571				91,571
Prepaid Expenses	119,988				119,988
Due from Other Funds	265,039				265,039
TOTAL ASSETS:-	\$ 20,343,744	\$ 1,074,099	\$ 6,208	\$ 137,554	\$ 21,561,605
	\$ 0	0	0	0	0
	\$ 20,343,744	\$ 1,074,099	\$ 6,208	\$ 137,554	\$ 21,561,605
DEFERRED OUTFLOWS OF RESOURCES:-					
	\$ 1,446,932	\$ 95,015	\$	\$	\$ 1,541,947
	2,951,015				2,951,015
	217,209	10,000			217,209
	2,078,307				2,078,307
TOTAL LIABILITIES:-	\$ 6,693,463	\$ 105,015	\$ 0	\$ 0	\$ 6,798,478
	\$ 0	0	0	0	0
	\$ 6,693,463	\$ 105,015	\$ 0	\$ 0	\$ 6,798,478
DEFERRED INFLOWS OF RESOURCES:-					
	\$ 211,559	\$	\$	\$	\$ 211,559
		969,084		137,554	137,554
	1,670				1,670
	26,259				26,259
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-	\$ 211,559	\$ 969,084	\$ 0	\$ 137,554	\$ 1,318,247
	\$ 211,559	\$	\$	\$	\$ 211,559
		969,084		137,554	1,318,247
	1,670				1,670
	26,259				26,259

The Accompanying Notes are an Integral Part of These Statements

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
	366,224				366,224
	1,229,648				1,229,648
	1,806,524				1,806,524
	3,645,255				3,645,255
	3,463,142				3,463,142
	2,900,000		6,208		2,906,208
	\$ 13,650,281	\$ 969,084	\$ 6,208	\$ 137,554	\$ 14,763,127
	\$ 20,343,744	\$ 1,074,099	\$ 6,208	\$ 137,554	\$ 21,561,605

Assigned -
Employee Benefit Trust
Subsequent Years' Budgets -

2015 - 2016

2016 - 2017

2017 - 2018

2018 - 2019

Unassigned

TOTAL FUND EQUITY:-

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY:-

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

TOTAL FUND EQUITY - GOVERNMENTAL FUNDS:- \$ 14,763,127

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 \$ 71,511,680, and the Accumulated Depreciation is (\$ 21,883,907). 49,627,773

Some Liabilities, Including Net Pension Obligations, are not Due and Payable in the Current Period and, Therefore, are not Reported in the Funds:

Net Pension Liability (From Pension Schedule) (39,700,000)

Deferred Outflows and Inflows of Resources Related to Pensions are Applicable to Future Periods and, Therefore, are not Reported in the Funds:

Deferred Outflows of Resources Related to Pensions 4,624,086

Deferred Inflows of Resources Related to Pensions (2,838,000)

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). 2,157,942

Amounts in Excess that have yet to be Spent in Conjunction with Smartledge Debt. 838,786

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. 708,305

Unamortized Bond Premium is Reported as Revenue in the Governmental Funds. The Original Balance is (\$ 2,114,892) and Accumulated Amortization is \$ 965,917. (1,148,975)

The Accompanying Notes are an Integral Part of These Statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

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.....	(\$ 49,103,639)	
Accrued Interest on		
Debt.....	(3,786,389)	
Capital Leases		
Payable.....	(86,101)	
Deferred Amount on		
Refunding.....	1,037,512	
Compensated		
Absences.....	(1,170,882)	
Other Post-Employment		
Benefits.....	(4,174,404)	(57,283,903)

TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES:- (\$ 28,250,859)

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, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:-					
Local Sources	\$ 15,327,760	\$ 2,204	\$	\$ 2,043	\$ 15,332,007
State Sources	19,230,202				19,230,202
Federal Sources	1,551,526				1,551,526
TOTAL REVENUES:-	\$ 36,109,488	\$ 2,204	\$ 0	\$ 2,043	\$ 36,113,735
EXPENDITURES:-					
Instruction-					
Regular Programs	\$ 11,936,970	\$	\$	\$	\$ 11,936,970
Special Programs	3,950,509				3,950,509
Vocational Programs	1,967,910				1,967,910
Other Instructional Programs	299,231				299,231
TOTAL INSTRUCTION:-	\$ 18,154,620	\$ 0	\$ 0	\$ 0	\$ 18,154,620
Support Services-					
Pupil Personnel Services	\$ 773,559	\$	\$	\$	\$ 773,559
Instructional Staff Services	1,276,866				1,276,866
Administrative Services	2,234,454				2,234,454
Pupil Health	376,552				376,552
Business Services	484,474				484,474
Operation and Maintenance of Plant Services	2,759,355				2,759,355
Student Transportation Services	3,807,416				3,807,416
Central Services	735,169				735,169
Other Support Services	52,279				52,279
TOTAL SUPPORT SERVICES:-	\$ 12,500,124	\$ 0	\$ 0	\$ 0	\$ 12,500,124
Operation of Non-Instruction Services-					
Student Activities	\$ 685,139	\$	\$	\$	\$ 685,139
Community Services	14,185				14,185
TOTAL OPERATION OF NON-INSTRUCTION SERVICES:-	\$ 699,324	\$ 0	\$ 0	\$ 0	\$ 699,324
Facilities Acquisition, Construction, and Improvements-					
Debt Service	\$ 1,458,873	\$ 189,661	\$ 0	\$ 0	\$ 1,648,534
	\$ 200,687	\$ 0	\$ 3,600,197	\$ 0	\$ 3,800,884

The Accompanying Notes are an Integral Part of These Statements

CONNEAUT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUNDS	NON-MAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Bond Issue Costs--	\$ 0	\$ 0	\$ 83,370	\$ 0	\$ 83,370
TOTAL EXPENDITURES:-	\$ 33,013,628	\$ 189,661	\$ 3,683,567	\$ 0	\$ 36,886,856
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-	\$ 3,095,860	\$ (187,457)	\$ (3,683,567)	\$ 2,043	\$ (773,121)
OTHER FINANCING SOURCES (USES):-					
Net Refunds of Prior Year Expenditures	\$ 90,191	\$	\$	\$	\$ 90,191
Operating Transfers In	129,956		3,600,197		3,730,153
Operating Transfers Out	(3,485,197)		(244,956)		(3,730,153)
Net Refunds of Prior Year Revenues	5,900				5,900
Proceeds from Long-Term Debt	1,443,845		9,690,000		11,133,845
Payment to Bond Escrow Agent			(9,373,600)		(9,373,600)
Sale of Assets	14,365		(111,822)		14,365
Bond Discount/Premium			129,956		(111,822)
Refund of Remaining Escrow Funds					129,956
TOTAL OTHER FINANCING SOURCES (USES):-	\$ (1,800,940)	\$ 0	\$ 3,689,775	\$ 0	\$ 1,888,835
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):-	\$ 1,294,920	\$ (187,457)	\$ 6,208	\$ 2,043	\$ 1,115,714
INCREASE (DECREASE) IN RESERVES:-	5,925				5,925
BEGINNING FUND EQUITY:-	12,349,436	1,156,541		135,511	13,641,488
ENDING FUND EQUITY:-	\$ 13,650,281	\$ 969,084	\$ 6,208	\$ 137,554	\$ 14,763,127

NOTE: \$ 115,000 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

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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:- \$ 1,115,714

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.....(\$ 1,647,075)		
Capital Outlays..... <u>1,045,880</u>	(601,195)

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.

(19,125)

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

10,694,805

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.

(10,387,582)

The Following Amounts Represent Changes in Balances from Prior Year:

Inventories..... (\$ 5,370)		
Amortization of Deferred Amount on Refunding..... (56,672)		
Amortization of Bond Premium..... 210,346		
Accrued Interest Expense..... (512,378)		
Compensated Absences..... 55,670		
Subsidy Receivable..... 78,479		
Wage Tax Receivable..... 1,205		
Reserve for Funds and Grants..... 11,295		
Other Post-Employment Benefits..... (610,790)		
Wage Tax Settlement..... (25,000)		
Remaining Funds in Escrow..... 838,786		
District Pension Contribution..... (<u>1,502,895</u>)	(<u>1,517,324</u>)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES:- (\$ 714,707)

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, 2015

	<u>FOOD SERVICE</u>
<u>A S S E T S</u>	
<u>CURRENT ASSETS:-</u>	
Cash and Cash Equivalents	\$ 152,018
Subsidies Receivable	84,427
U.S.D.A. Inventory	20,832
Other Receivable	<u>1,913</u>
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 259,190</u>
<u>EQUIPMENT:-</u>	\$ 253,326
<u>LESS:</u> Accumulated Depreciation	<u>(249,577)</u>
<u>NET EQUIPMENT:-</u>	<u>\$ 3,749</u>
<u>TOTAL ASSETS:-</u>	<u><u>\$ 262,939</u></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	\$ 32,787
Due to General Fund	<u>265,039</u>
<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 297,826</u>
<u>LONG-TERM LIABILITIES:-</u>	
Compensated Absences Payable	\$ 4,319
Other Post-Employment Benefits	<u>51,369</u>
<u>TOTAL LONG-TERM LIABILITIES:-</u>	<u>\$ 55,688</u>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 353,514</u>
<u>NET POSITION:-</u>	
Net Investment In Capital Assets	\$ 3,749
Unrestricted (Deficit)	<u>(94,324)</u>
<u>TOTAL NET POSITION:-</u>	<u>\$ (90,575)</u>
<u>TOTAL LIABILITIES AND NET POSITION:-</u>	<u><u>\$ 262,939</u></u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
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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, 2015

	<u>FOOD SERVICE</u>
<u>OPERATING REVENUES:-</u>	
Food Sales	\$ 334,791
Special Functions	19,121
Other	819
U.S.D.A. In-Kind Contributions	<u>60,147</u>
<u>TOTAL OPERATING REVENUES:-</u>	<u>\$ 414,878</u>
<u>COST OF SALES:-</u>	
Contracted Services	\$ 524,360
U.S.D.A. Contributions Used	<u>50,339</u>
<u>TOTAL COST OF SALES:-</u>	<u>\$ 574,699</u>
<u>EXCESS DIRECT COST OF SALES:-</u>	<u>\$ (159,821)</u>
<u>OPERATING EXPENSES:-</u>	
Labor, Net	\$ 321,668
Fringe Benefits	190,539
Supplies	2,156
Other	17,622
Depreciation	8,594
Repairs and Maintenance	<u>24,632</u>
<u>TOTAL OPERATING EXPENSES:-</u>	<u>\$ 565,211</u>
<u>OPERATING (LOSS):-</u>	<u>\$ (725,032)</u>
<u>NON-OPERATING REVENUES:-</u>	
Subsidies	\$ 606,634
State Social Security Reimbursement	12,277
State Retirement Reimbursement	33,986
Interest	<u>189</u>
<u>TOTAL NON-OPERATING REVENUES:-</u>	<u>\$ 653,086</u>
<u>NET (LOSS):-</u>	<u>\$ (71,946)</u>
<u>BEGINNING NET POSITION:-</u>	<u>(18,629)</u>
<u>ENDING NET POSITION:-</u>	<u><u>\$ (90,575)</u></u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>FOOD SERVICE</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES -</u>	
Cash Received from Sales	\$ 352,457
Other Income Received	819
Cash Paid for Personnel Services	(402,418)
Cash Paid to Suppliers	(564,720)
Cash Paid for Operating Expenses	<u>(38,107)</u>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u>\$ (651,969)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -</u>	
Subsidies Received	\$ 628,160
State Reimbursements	46,263
Interest Earnings	189
Acquisition of Fixed Assets	<u>(3,746)</u>
<u>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:-</u>	<u>\$ 670,866</u>
<u>CHANGE IN CASH AND CASH EQUIVALENTS:-</u>	<u>\$ 18,897</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:-</u>	<u>133,121</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR:-</u>	<u><u>\$ 152,018</u></u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:-</u>	
Operating Income (Loss)	\$ (725,032)
Increase (Decrease) in Accounts Payable	(34,057)
(Increase) Decrease - Inventory - In-Kind	(9,808)
Depreciation	8,594
Increase (Decrease) in Compensated Absences	(1,440)
(Increase) Decrease in Due from Other Funds	8,072
Increase (Decrease) in Other Post-Employment Benefits	10,231
Increase (Decrease) in Due to Other Funds	92,926
(Increase) Decrease in Other Receivable	<u>(1,455)</u>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u><u>\$ (651,969)</u></u>
<u>NON-CASH TRANSACTIONS:-</u>	
In-Kind Contributions	<u>\$ 60,147</u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST SCHOLARSHIP FUNDS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalents	\$ 43,432	\$ 101,518
<u>TOTAL ASSETS:-</u>	<u>\$ 43,432</u>	<u>\$ 101,518</u>
<u>LIABILITIES:-</u>		
Other Current Liabilities	\$ 0	\$ 101,518
<u>NET POSITION:-</u>		
Held in Trust for Scholarships	\$ 43,432	\$ 0
<u>TOTAL LIABILITIES AND NET POSITION:-</u>	<u>\$ 43,432</u>	<u>\$ 101,518</u>

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST SCHOLARSHIP FUNDS</u>
<u>ADDITIONS:-</u>	
Interest Earnings	\$ 281
<u>DEDUCTIONS:-</u>	\$ 0
<u>CHANGE IN NET ASSETS:-</u>	\$ 281
<u>NET POSITION - BEGINNING:-</u>	43,151
<u>NET POSITION - ENDING:-</u>	\$ 43,432

The Accompanying Notes are an Integral Part of These Statements

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of 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).

With the implementation of GASB Statement No. 34, the School District has prepared required supplementary information titled, "Management's Discussion and Analysis", which precedes the basic financial statements.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The School District adopted all current Statements of GASB that are applicable. At June 30, 2015, the School District implemented the following new standards issued by GASB:

GASB has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27.

GASB has issued Statement No. 71 Pensions Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.

REPORTING ENTITY

The 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.

GASB Statement No. 14 The Financial Reporting Entity, established the criteria for determining the activities, organization, and functions of government to be included in the financial 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.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

JOINT VENTURE

The 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 items 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"), as well as the School District's pro-rate share of operating expenses.

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.

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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 2004, 2007, 2012, 2013, and 2015 Bond Sinking Funds.

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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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:

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 Directors, 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.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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:

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

<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

Due to GASB Statement No. 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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

District's general fund balance. The property tax levy is 50.55 Mills for general purposes for fiscal year 2015.

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.....	\$ 85,396
Real Estate Taxes.....	2,625,491
Reserve for Uncollectable Real Estate Taxes.....	(<u>399,808</u>)
<u>NET TOTAL:</u>	<u>\$ 2,311,079</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.

CASH FLOWS

The School District has complied with GASB Statement No. 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 \$ 2,078,307 as of June 30, 2015, consist of \$ 5,818 of unexpended grant allocations not spent, and \$ 2,072,489 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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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.

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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

ratio, which changes annually from the Commonwealth for their bonded debt. During fiscal year 2015, approximately 17.3 percent of the annual payments of \$ 3,085,884 were reimbursed.

3. BOND PAYABLE

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. The 2003 Bonds were refunded in full in fiscal year 2015 by the 2015 General Obligation Bonds.

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 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 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

CONNEAUT SCHOOL DISTRICT

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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, 2015, the outstanding principal balance of the partially defeased 2004A Bonds is \$ 360,000.

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.

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 Statement No. 65.

During fiscal year 2015, the School District issued General Obligation Bonds, Series of 2015 in the amount of \$ 9,690,000. The Bonds mature November 1, 2035, with interest rates ranging from 2.0 to 3.5 percent. The Bonds were issued to advance refunding of the 2007A Bonds. The Bonds were issued at a net discount of \$ 111,882 and bond issued costs of \$ 83,370 were recognized as expense on the entity-wide financial statements.

During fiscal year 2015, the School District entered into an agreement to make certain improvements to the buildings in an effort to reduce utility costs. The improvements were financed through a lender in the amount of \$ 1,442,845. These funds will be paid back at a 2.8 percent interest rate through March 2030. Due to the nature of the transaction, the funds were first put in an escrow account and paid out as the improvements were made. As of June 30, 2015, \$ 838,786 remains in the escrow account. These funds will be drawn down in fiscal year 2016. As such, the \$ 605,059 expended shows on the debt statement as of June 30, 2015, and the remaining \$ 838,786 shows as an asset on the entity-wide financial statements. The remaining will be added to debt in fiscal year 2016 and the asset will be depleted.

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The remaining bond premiums and discounts of \$ 782,515, \$ 319,552, \$ 1,170,937, and \$ 111,822 for the remaining 2003, the remaining 2004, the net 2007, the 2012, and the 2015 bond issues are being amortized over the respective lives of the bonds. During 2015, a total of \$ 98,524 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, 2015, is \$ 1,148,925.

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 four (4) 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 were reflected in the entity-wide statements in fiscal year 2013.

During fiscal year 2015, the School District entered into a lease for i-Pads to be used by the School District's students. The lease calls for three (3) annual payments of \$ 31,976, and expires in fiscal year 2017. 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.

Minimum future lease payments under capital leases are as follows:

<u>FISCAL YEAR:-</u>	
2016.....	\$ 58,139
2017.....	<u>31,976</u>
<u>TOTAL:-</u>	\$ 90,115
<u>LESS: AMOUNT REPRESENTING INTEREST:-</u>	<u>(4,014)</u>
<u>PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS:-</u>	<u>\$ 86,101</u>

CONNEAUT SCHOOL DISTRICT

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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 (PSERS). Retirement Plan expense amounted to \$ 3,992,000 for the year ended June 30, 2015.

The following information regarding the pension plan has been provided by PSERS under the disclosure requirements of GASB Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PENSIONS

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

GENERAL INFORMATION ABOUT THE PLAN

PLAN DESCRIPTION

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

BENEFITS PROVIDED

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

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credited service. For members whose membership started prior to July 1, 2011, after completion of five (5) years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten (10) years of service.

Participants are eligible for disability retirement benefits after completion of five (5) years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one (1) year of credited service (age 65 with at least three [3] years of credited service for Class T-E and Class T-F members) or who has at least five (5) years of credited service (ten [10] years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

CONTRIBUTIONS

MEMBER CONTRIBUTIONS

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

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

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

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

EMPLOYER CONTRIBUTIONS

The School District's contractually required contribution rate for fiscal year ended June 30, 2015, was 20.5 percent of covered payroll, actuarially

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determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$ 1,904,744 for the year ended June 30, 2015.

B. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2015, the School District reported a liability of \$ 39,700,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was .1003 percent, which was an increase of .0067 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$ 3,992,000, which was allocated among the appropriate expenses. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Net Difference Between Projected and Actual Investment Earnings.....		\$ 2,838,000
Changes in Proportions.....	\$ 2,210,000	
Difference Between Employer Contributions and Proportionate Share of Total Contributions.....	(75,000)	
Contributions Subsequent to the Measurement Date.....	<u>2,489,086</u>	<u> </u>
<u>TOTAL:-</u>	<u>\$ 4,624,086</u>	<u>\$ 2,838,000</u>

Contributions of \$ 2,489,086 reported as deferred outflows of resources related to pensions result from School District contributions subsequent to the measurement date and will be recognized as a reduction on the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>YEAR ENDED JUNE 30:-</u>	
2016.....	(\$ 195,000)
2017.....	(195,000)
2018.....	(195,000)
2019.....	(195,000)

CONNEAUT SCHOOL DISTRICT

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YEAR ENDED JUNE 30:-

2020..... 77,000

TOTAL:- (\$ 703,000)

ACTUARIAL ASSUMPTIONS

The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013, actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.50 percent, includes inflation of 3.00 percent
- Salary increases - Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females.

The actuarial assumptions used in the June 30, 2013, valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumptions changes based on this experience study were adopted by the PSERS Board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011, actuarial valuation.

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

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

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
Public Markets Global Equity.....	19%	5.0%
Private Markets (Equity).....	21%	6.5%
Private Real Estate.....	13%	4.7%
Global Fixed Income.....	8%	2.0%
U.S. Long Treasuries.....	3%	1.4%
TIPS.....	12%	1.2%

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<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN</u>
High Yield Bonds.....	6%	1.7%
Cash.....	3%	0.9%
Absolute Return.....	10%	4.8%
Risk Parity.....	5%	3.9%
MLPs/Infrastructure.....	3%	5.3%
Commodities.....	6%	3.3%
Financing (LIBOR).....	(<u>9%</u>)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	<u>1% DECREASE</u>	<u>CURRENT DISCOUNT RATE</u>	<u>1% INCREASE</u>
	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
School District's Proportionate Share of the Net Pension Liability..	<u>\$ 49,520,000</u>	<u>\$ 39,700,000</u>	<u>\$ 31,316,000</u>

PENSION PLAN FIDUCIARY NET POSITION

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

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

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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, 2015, the rate of employer's contribution was 21.40 percent of covered payroll. The 21.40 percent rate is composed of a pension contribution rate of 20.50 percent for pension benefits and .90 percent for health care insurance premium assistance.

6. CASH AND INVESTMENTS

The School District has implemented GASB Statement No. 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, 2015, \$ 17,302,711 of the government's bank balance of \$ 17,602,351 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).....\$ 17,302,711

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, per ownership category. In the normal course of business, the School District may have deposits in excess of federal insured coverage. As of June 30, 2015, the School District had approximately \$ 17,302,711 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, 2015, is as follows:

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Governmental Activities:-

	<u>BALANCE</u> <u>JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
<u>Capital Assets Not</u>				
<u>Being Depreciated -</u>				
Land.....	\$ 143,972	\$	\$	\$ 143,972
Construction-in- Process.....	14,550	791,949	(101,440)	705,059
<u>Capital Assets</u>				
<u>Being Depreciated -</u>				
School Buildings and Improvements.....	65,572,930	101,440		65,674,370
Furniture and Equipment.....	2,951,945	161,428		3,113,373
Assets Under Capitalized Lease...	506,576	92,503	(385,457)	213,622
Land and Site Improvements.....	1,475,426			1,475,426
Vehicles.....	<u>185,858</u>			<u>185,858</u>
<u>TOTALS:-</u>	<u>\$ 70,851,257</u>	<u>\$ 1,147,320</u>	<u>(\$ 486,897)</u>	<u>\$ 71,511,680</u>
<u>Accumulated</u>				
<u>Depreciation For -</u>				
School Buildings and Improvements.....	(\$ 17,047,681)	(\$ 1,232,443)	\$	(\$ 18,280,124)
Furniture and Equipment.....	(2,186,165)	(175,247)		(2,361,412)
Assets Under Capital Lease.....	(357,650)	(155,328)	385,457	(127,521)
Land and Site Improvements.....	(904,577)	(69,167)		(973,744)
Vehicles.....	<u>(126,216)</u>	<u>(14,890)</u>		<u>(141,106)</u>
<u>TOTAL ACCUMULATED</u> <u>DEPRECIATION:-</u>	<u>(\$ 20,622,289)</u>	<u>(\$ 1,647,075)</u>	<u>\$ 385,457</u>	<u>(\$ 21,883,907)</u>
<u>Governmental</u>				
<u>Activities -</u>				
<u>Capital Assets,</u> <u>Net:-</u>	<u>\$ 50,228,968</u>	<u>(\$ 499,755)</u>	<u>(\$ 101,440)</u>	<u>\$ 49,627,773</u>

Business-Type Activities:-

<u>Capital Assets Being</u>				
<u>Depreciated -</u>				
Equipment.....	\$ 249,580	\$ 3,746	\$	\$ 253,326
<u>Accumulated</u>				
<u>Depreciation For -</u>				
Equipment.....	<u>(240,983)</u>	<u>(8,594)</u>		<u>(249,577)</u>
<u>Business-Type</u>				
<u>Activities, Net:-</u>	<u>\$ 8,597</u>	<u>(\$ 4,848)</u>	<u>\$ 0</u>	<u>\$ 3,749</u>

CONNEAUT SCHOOL DISTRICT

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

<u>Governmental Activities - Unallocated:-</u>	<u>\$ 1,647,075</u>
<u>Business-Type Activities:-</u>	
Food Service.....	<u>\$ 8,594</u>

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, is as follows:

	<u>BALANCE</u> <u>JULY 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>Governmental</u>					
<u>Activities:-</u>					
<u>Bonds Payable -</u>					
Series 2012 A					
and B.....	\$ 7,445,000	\$	(\$ 165,000)	\$ 7,280,000	\$ 740,000
General Obliga-					
tion Bonds -					
Series 2015.....	0	9,690,000		9,690,000	10,000
School Revenue					
Bonds - Series					
2004B.....	1,035,000		(1,035,000)	0	
General					
Obligation Bonds					
Series 2013.....	6,945,000		(690,000)	6,255,000	1,200,000
General					
Obligation					
Bonds - Series					
of 2007A.....	8,465,000		(8,465,000)	0	
General					
Obligation					
Refunding					
Bonds - Series					
of 2007B.....	<u>25,458,055</u>		<u>(175,000)</u>	<u>25,283,055</u>	<u>180,000</u>
<u>SUBTOTAL:-</u>	\$ 49,348,055	\$ 9,690,000	(\$ 10,530,000)	\$ 48,508,055	\$ 2,130,000
Deferred Amounts					
for Issuance					
Premium.....	1,359,321	(111,822)	(98,524)	1,148,975	98,524
Deferred Amounts					
on Refunding...	<u>(1,094,184)</u>		<u>56,672</u>	<u>(1,037,512)</u>	<u>(56,672)</u>
<u>TOTAL BONDS</u>					
<u>PAYABLE, NET:-</u>	\$ 49,613,192	\$ 9,578,178	(\$ 10,571,852)	\$ 48,619,518	\$ 2,171,852
Accrued Interest...	3,274,011	512,378		3,786,389	258,699
Capitalized Leases					
(Note "4").....	148,928	92,503	(155,330)	86,101	55,045
Compensated					
Absences					
(Note "10").....	1,226,552		(55,670)	1,170,882	17,256
Smartedge Debt.....	<u>0</u>	<u>605,059</u>	<u>(9,475)</u>	<u>595,584</u>	<u>79,710</u>
<u>TOTAL GOVERNMENTAL</u>					
<u>ACTIVITIES:-</u>	<u>\$ 54,262,683</u>	<u>\$ 10,788,118</u>	<u>(\$ 10,792,327)</u>	<u>\$ 54,258,474</u>	<u>\$ 2,582,562</u>

NOTE: The Smartedge debt is only shown as a portion that was drawn down as of June 30, 2015. The total will end up being \$ 1,443,845. The difference shows as other accounts receivable on the entity-wide financial statements.

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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, \$ 708,305 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, 2015:

	<u>TOTAL</u>	<u>DUE WITHIN ONE YEAR</u>
Series 2007B Deep Discount.....	\$ 3,527,690	\$
Series 2007B Bonds.....	140,080	140,080
Series 2012A/B Bonds.....	29,204	29,204
Series 2013 Bonds.....	22,946	22,946
Series 2015 Bonds.....	64,832	64,832
Smartedge Debt.....	<u>1,637</u>	<u>1,637</u>
 <u>TOTALS:-</u>	 <u>\$ 3,786,389</u>	 <u>\$ 258,699</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 \$ 56,671 has been recorded for fiscal year 2015. Net amortization expense for 2015 is composed of:

2003 Issue.....	(\$ 25,597)
2004B Issue.....	35,133
2007 Issue.....	<u>47,135</u>
 <u>NET TOTAL:-</u>	 <u>\$ 56,671</u>

At June 30, 2015, 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>
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.....	220,000	822,250	1,042,250
2021 - 2025.....	9,965,000	2,980,125	12,945,125
2026 - 2030.....	10,109,877	6,617,623	16,727,500
2031 - 2034.....	<u>4,208,178</u>	<u>9,171,822</u>	<u>13,380,000</u>
 <u>TOTALS:-</u>	 <u>\$ 25,283,055</u>	 <u>\$ 22,967,955</u>	 <u>\$ 48,251,010</u>

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

At June 30, 2015, 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>
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.....	800,000	113,295	913,295
2021 - 2024.....	<u>3,445,000</u>	<u>221,483</u>	<u>3,666,483</u>
<u>TOTALS:-</u>	<u>\$ 7,280,000</u>	<u>\$ 946,684</u>	<u>\$ 8,226,684</u>

At June 30, 2015, 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>
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>\$ 6,255,000</u>	<u>\$ 357,693</u>	<u>\$ 6,612,693</u>

At June 30, 2015, the debt service requirements of principal and interest on General Obligation Bonds Series 2015, as described in Note "3" were as follows:

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016.....	\$ 10,000	\$ 359,200	\$ 369,200
2017.....	55,000	320,212	375,212
2018.....	50,000	319,162	369,162
2019.....	50,000	318,163	368,163
2020.....	55,000	317,112	372,112
2021 - 2025.....	285,000	1,567,700	1,852,700
2026 - 2030.....	330,000	1,524,237	1,854,237
2031 - 2035.....	4,510,000	1,392,403	5,902,403
2036.....	<u>4,345,000</u>	<u>73,322</u>	<u>4,418,322</u>
<u>TOTALS:-</u>	<u>\$ 9,690,000</u>	<u>\$ 6,191,511</u>	<u>\$ 15,881,511</u>

At June 30, 2015, the debt service requirements of the Smartedge Debt were as follows: (As noted only \$ 605,059 was added to debt schedule, the remaining will be added as funds are spent on Smartedge improvements in fiscal year 2016).

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

<u>FISCAL YEAR:-</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016.....	\$ 79,710	\$ 39,330	\$ 119,040
2017.....	81,965	37,075	119,040
2018.....	84,284	34,756	119,040
2019.....	86,669	32,371	119,040
2020.....	89,122	29,918	119,040
2021 - 2025.....	484,892	110,308	595,200
2026 - 2030.....	<u>527,728</u>	<u>37,712</u>	<u>565,440</u>
<u>TOTALS:-</u>	<u>\$ 1,434,370</u>	<u>\$ 321,470</u>	<u>\$ 1,755,840</u>

During fiscal year 2015, \$ 2,354,062 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 School District, it has not been recorded in the financial statements; instead it is being expensed each year. In fiscal year 2015, the School District's portion of expense amounted to \$ 138,951, of which \$ 10,595 represented principal and \$ 128,356 was interest. The School District was reimbursed \$ 41,737 related to this expense in fiscal year 2015, 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 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 No. 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:

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Annual Required Contribution.....	\$ 991,802
Estimated Interest on Net OPEB Obligation.....	162,214
Estimated Adjustment to Annual Required Contribution.....	(<u>221,302</u>)
<u>ANNUAL OPEB COST:-</u>	\$ 932,714
Estimated Contributions Made *.....	(<u>311,693</u>)
<u>INCREASE IN NET OPEB OBLIGATION:-</u>	\$ 621,021
Net OPEB Obligation - Beginning of Year.....	<u>3,604,752</u>
<u>NET OPEB OBLIGATION - END OF YEAR:-</u>	<u>\$ 4,225,773</u>

* 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 2015:

<u>YEAR ENDED</u>	<u>ANNUAL</u>	<u>PERCENTAGE</u>	<u>NET OPEB</u>
<u>DECEMBER 31</u>	<u>OPEB COST</u>	<u>OF ANNUAL</u>	<u>OBLIGATION</u>
		<u>OPEB COST</u>	
		<u>CONTRIBUTED</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
2015.....	932,714	22.1%	4,225,773

FUNDED STATUS AND FUNDING PROGRESS

As of December 1, 2013, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$ 9,910,623, and the actuarial value of assets was \$ - 0 -, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 9,910,623. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 11,452,740, and the ratio of the UAAL to the covered payroll was 86.53 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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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 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, 2013.

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. (These rates do not include projected mortality improvements.)

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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

<u>AGE</u>	<u>AGE 55 AND</u>		<u>SUPERANNUATION</u>	
	<u>25 YEARS OF SERVICE</u>		<u>MALE</u>	<u>FEMALE</u>
	<u>MALE</u>	<u>FEMALE</u>		
55.....	15%	15%	30%	30%
56.....	16%	16%	30%	30%
57.....	16%	16%	30%	35%
58.....	16%	16%	30%	35%
59.....	18%	17%	30%	35%
60.....	12%	15%	28%	30%
61.....	25%	25%	50%	60%
62.....	25%	25%	25%	25%
63.....	20%	20%	20%	20%
64.....	20%	20%	20%	20%
65.....	100%	100%	100%	100%

Disability -
None assumed

Marital Status -
40 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. Non-spouse dependents are deemed to be immaterial.

Participation -

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

Healthcare rates are assumed to reflect the following:

<u>YEAR</u>	<u>RATE OF MEDICAL INFLATION</u>
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.....	\$ 4,581	\$ 6,616

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

<u>AGE</u>	<u>MEDICAL AND PRESCRIPTION DRUG COMBINED</u>	
	<u>MALES</u>	<u>FEMALES</u>
50-54.....	6,067	7,477
55-59.....	7,389	7,824
60-64.....	9,043	8,988
65 and up.....	3,927	3,927

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.....	2.0%	5.0%
30.....	2.0%	4.0%
35.....	1.5%	3.0%
40.....	1.25%	1.5%
45.....	1.25%	1.5%
50.....	1.70%	1.75%
55.....	3.0%	3.0%
60.....	4.5%	5.5%

Interest Rate -

4.50%

Salary -

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0.25%.

A schedule of funding progress is presented on page 74.

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

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, is \$ 928,108, 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 GASB Statement No. 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 cost levels during the periods covered by the employer's commitment to provide the benefits. As of June 30, 2015, the present value of remaining expected future benefit payments total \$ 242,744, 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.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Compensated absences of the proprietary (food service) fund total \$ 4,320 as of June 30, 2015, and are recorded in the financial statements of the proprietary fund.

11. SELF-INSURANCE

The School District has a self-insured medical 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. The School District has assigned \$ 366,224 of its fund balance toward this trust. Premiums for fiscal year 2015 increased approximately 3 percent and premiums for fiscal year 2016 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, 2015:

Restricted for - Sadsbury Nature Trail.....	\$ 1,670
- Communities That Care.....	521
- Lightspeed Grant.....	15,194
- Gosney Memorial.....	4,100
- Music Equipment.....	2,171
- Collin's Donation.....	<u>4,273</u>
<u>TOTAL:-</u>	<u>\$ 27,929</u>

14. KEYSTONE OPPORTUNITY ZONE

The 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.

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2017, and the contract with the support union expires June 30, 2018.

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, 2015, is as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
<u>Due To/From Other Funds:</u>		
General Fund.....	Cafeteria Fund.....	<u>\$ 265,039</u>

18. INTERFUND TRANSFERS

A reconciliation of and purpose of transfers between funds in the governmental funds financial statements during 2015 is as follows:

GOVERNMENTAL FUNDS:

<u>Interfund Transfers Received By -</u>	
Debt Service Funds.....	\$ 3,600,197
General Fund.....	<u>129,956</u>
<u>TOTAL TRANSFERS FROM OTHER FUNDS:-</u>	<u>\$ 3,730,153</u>

CONNEAUT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

Interfund Transfers Paid By -

General Fund for Debt Service.....	\$ 3,485,197
Between Debt Service Funds with Refunding...	115,000
Debt Service, Surplus Escrow Funds at Payoff.....	<u>129,956</u>
<u>TOTAL TRANSFERS TO OTHER FUNDS:-</u>	<u>\$ 3,730,153</u>

19. RESTRICTED NET POSITION

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

Gosney Memorial.....	\$ 4,100
Music Equipment.....	2,171
Sadsbury Nature Trail.....	1,670
Communities That Care Grant.....	521
Libraries.....	137,554
Capital Projects.....	969,084
Collin's Donation.....	4,273
Lightspeed Grant.....	<u>15,194</u>
<u>TOTAL:-</u>	<u>\$ 1,134,567</u>

20. NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2015, 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.....	\$ 49,627,773	\$ 3,749	\$ 49,631,522
Net Capital Asset Related Debt.....	(49,261,740)		(49,261,740)
Net Premium on Debt.....	(1,148,975)		(1,148,975)
Deferred Amounts on Refunding.....	<u>1,037,512</u>	<u> </u>	<u>1,037,512</u>
<u>TOTAL:-</u>	<u>\$ 254,570</u>	<u>\$ 3,749</u>	<u>\$ 258,319</u>

21. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In June 2012, GASB issued Statement No. 68 and No. 71 Accounting and Financial Reporting for Pensions and Pension Transition for Contributions Made Subsequent to the Measurement Date, respectively. These Statements provide guidance for recording certain items as deferred outflows of resources

CONNEAUT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

or deferred inflows of resources and recording net pension liability as of the measurement date June 30, 2014. The following is a summary of adjustments to the financial statements as of June 30, 2015:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
<u>BEGINNING NET POSITION AS PREVIOUSLY</u> <u>REPORTED AT JUNE 30, 2014:-</u>	<u>\$ 8,874,848</u>
<u>PRIOR PERIOD ADJUSTMENT -</u> <u>IMPLEMENTATION GASB 68:-</u>	
Net Pension Liability (Measurement Date).....	(\$ 38,316,000)
Deferred Outflows - School District's Contributions Made During Fiscal Year 2014.....	<u>1,905,000</u>
<u>TOTAL PRIOR PERIOD ADJUSTMENT:-</u>	<u>(\$ 36,411,000)</u>
<u>NET POSITION (DEFICIT) AS RESTATED -</u> <u>JULY 1, 2014:-</u>	<u>(\$ 27,536,152)</u>

22. SUBSEQUENT EVENTS

The School District has evaluated subsequent events through November 11, 2015, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

Subsequent to June 30, 2015, through the date of this report, the Pennsylvania legislature has not passed a state budget. As a result, funding for the School District has been suspended.

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

U.S. DEPARTMENT OF AGRICULTURE:- PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF EDUCATION -	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, 2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE JUNE 30, 2015
U.S. DEPARTMENT OF AGRICULTURE:-										
PASSED THROUGH THE PENNSYLVANIA										
DEPARTMENT OF EDUCATION -										
Nutrition Cluster (B) -										
Severe Need Breakfast Program...	I	10.553	105-20-103-3	07/01/14 - 06/30/14	\$ 135,517	\$ 115,695	\$ 25,743	\$ 135,517	\$ 135,517	\$ 19,822
Severe Need Breakfast Program...	I	10.553	105-20-103-3	07/01/13 - 06/30/14	146,003	25,743				0
SUBTOTAL C.F.D.A. NUMBER 10.553:-										
National School Lunch Program...	I	10.555	105-20-103-3	07/01/13 - 06/30/14	456,289	\$ 73,637	\$ 73,637	\$ 433,829	\$ 433,829	\$ 59,434
National School Lunch Program...	I	10.555	105-20-103-3	07/01/14 - 06/30/15	433,829	374,395				59,434
Value of U.S.D.A. Donated										
Commodities (Non-Cash										
Assistance) National School										
Lunch Program.....										
I	10.555		2-14-20-103	07/01/14 - 06/30/15	N/A	60,147	(11,024)	50,339	50,339	(20,832)
SUBTOTAL - C.F.D.A. NUMBER 10.555:-										
TOTAL CHILD NUTRITION CLUSTER:-										
National School Lunch Program						\$ 508,179	\$ 62,613	\$ 484,168	\$ 484,168	\$ 38,602
(State Matching Funds).....	S	N/A	105-20-103-3	07/01/13 - 06/30/14	31,056	4,947	4,947	\$	\$	\$ 0
Severe Need Breakfast Program...	S	N/A	105-20-103-3	07/01/13 - 06/30/14	9,407	1,626	1,626	\$	\$	\$ 0
National School Lunch Program						24,794		28,722	28,722	3,928
(State Matching Funds).....	S	N/A	105-20-103-3	07/01/14 - 06/30/15	8,566	7,323		8,566	8,566	1,243
Severe Need Breakfast Program...	S	N/A	105-20-103-3	07/01/14 - 06/30/15						
SUBTOTAL STATE FUNDS:-										
						\$ 38,690	\$ 6,573	\$ 37,288	\$ 37,288	\$ 5,171
TOTAL U.S. DEPARTMENT OF										
AGRICULTURE:-										
						\$ 688,307	\$ 94,929	\$ 656,973	\$ 656,973	\$ 63,595
U.S. DEPARTMENT OF EDUCATION:-										
PASSED THROUGH THE PENNSYLVANIA										
DEPARTMENT OF EDUCATION -										
Office of Elementary and Secondary										
Education - Rural Education.....										
I	84.358		007-110098	07/01/14 - 06/30/15		\$ 33,695	\$	\$ 39,890	\$ 39,890	\$ 6,195
Office of Elementary and Secondary										
Education - Title I Grants to Local										
Educational Agencies.....										
I	84.010		013-150098	07/01/14 - 06/30/15	779,501	485,199		779,501	779,501	294,302
Office of Elementary and Secondary										
Education Improving - Teacher										
Quality State Grant.....										
I	84.367		013-150098	07/01/14 - 06/30/15	55,576	48,471		55,576	55,576	7,105

Black, Bashor & Ponsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE JUNE 30, 2015
OFFICE OF SPECIAL EDUCATION AND REHABILITATION SERVICES - PASSED THROUGH THE MIDWESTERN UNIT I.V. SPECIAL EDUCATION CLUSTER (IDEA) -									
Special Education - Grants to States (IDEA, Part B)- 500-1.... I	84.027	062-15-0-005	07/01/14 - 06/30/15	435,431	\$ 364,033	\$	\$ 435,451	\$ 435,451	\$ 71,418
Special Education - Preschool Grants (IDEA Preschool)..... I	84.173	062-15-0-005	07/01/14 - 06/30/15	3,747	3,747		3,747	3,747	0
<u>TOTAL SPECIAL EDUCATION CLUSTER:-</u>					\$ 367,780	\$ 0	\$ 439,198	\$ 439,198 ⁽²⁾	\$ 71,418
<u>TOTAL - U.S. DEPARTMENT OF EDUCATION:-</u>					\$ 935,145	\$ 0	\$ 1,314,165	\$ 1,314,165	\$ 379,020
U.S. DEPARTMENT OF HUMAN AND HEALTH:-									
PASSED THROUGH THE PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES - Medical Assistance Program (Medicaid; Title XIX)..... I	93.778		07/01/14 - 06/30/15		\$ 14,566	\$ 0	\$ 18,357	\$ 18,357	\$ 3,791
<u>TOTAL FEDERAL ASSISTANCE:-</u>					\$ 1,638,018	\$ 94,929	\$ 1,989,495	\$ 1,989,495	\$ 446,406

TEST OF 25% RULE

Total Expenditures.....\$ 1,989,495
 LESS: State Matching Funds (1).....(37,288)

TOTAL FEDERAL EXPENDITURES:- \$ 1,952,207

C.F.D.A. Number 84.027 - 84,173 Special Education Cluster (2).....\$ 439,198
 C.F.D.A. Number 84.010 - Title I Grants to Local Educational Agencies (3).....779,501

TOTAL MAJOR PROGRAMS:-

\$ 1,218,699 = 62%
 \$ 1,952,207

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

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 AUDITOR'S 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, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Conneaut School District's basic financial statements, and have issued our report thereon dated November 11, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in

internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Conneaut School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under "Government Auditing Standards" and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

SCHOOL DISTRICT'S RESPONSE TO FINDINGS

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Conneaut School District

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
November 11, 2015

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S 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 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's federal programs for the year ended June 30, 2015. The Conneaut School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the Conneaut School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the Conneaut School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Conneaut School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conneaut School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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's internal control over compliance.

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

a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Black Bashor & Porsch LLP

Sharon, Pennsylvania
November 11, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unmodified opinion on the financial statements of the Conneaut School District.
- 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 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 in Accordance With OMB Circular A-133.
- 2. The auditor's report on compliance for the major federal award programs for the Conneaut School District expresses an unmodified opinion.
- 3. Audit findings relative to the major federal award programs for the Conneaut School District 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>	
Special Education - Grants to States (IDEA, Part B).....	84.027
Special Education - Preschool Grants (IDEA Preschool).....	84.173
Title I Grants to Local Educational Agencies.....	84.010

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

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

FINANCIAL STATEMENT FINDINGS

Noncompliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

FINDING 2015-001

CRITERIA AND CONDITION

The School District violated Section 609 of the Pennsylvania School Code. Expenditures for the year ended June 30, 2015, exceeded the budget by \$ 827,612.

CONTEXT

Section 609 of the Pennsylvania School Code states that "no work shall be hired to be done, no material purchases, and no contacts made by any Board of School Directors which will cause the sums appropriated to specific purposes in the budget to be exceeded".

CAUSE

Expenditures continued to be incurred after the entire budget had been spent and no additional appropriations were made.

EFFECT

The School District was not in compliance with laws and regulation of the Commonwealth of Pennsylvania.

RECOMMENDATION

The Board of School Directors should monitor budgetary performance monthly and make additional appropriations when necessary and allowable under the School Code. Controls should be implemented to ensure expenditures do not exceed the allowable budget.

RESPONSE

Conneaut School District is in agreement with the above recommendation and in future years will make the additional appropriations when necessary and allowable under the School Code to ensure expenditures do not exceed the allowable budget.

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

None

CONNEAUT SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 FISCAL YEARS - (UNAUDITED)

	<u>2014</u>
<u>CONTRACTUALLY REQUIRED CONTRIBUTION:-</u>	\$ 1,998,000
<u>CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION:-</u>	(<u>1,998,000</u>)
<u>CONTRIBUTION DEFICIENCY (EXCESS):-</u>	<u>\$ 0</u>
<u>SCHOOL DISTRICT'S COVERS-EMPLOYEE PAYROLL:-</u>	<u>\$ 12,797,440</u>
<u>CONTRIBUTIONS AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL:-</u>	<u>15.61%</u>

Notes to the Schedule of the School District Proportionate Share of the Net Pension Liability and Schedule of the School District Contributions:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for which those years are available.

Changes in Benefit Terms

None

Changes in Assumptions

None

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2015

LAST 10 FISCAL YEARS - (UNAUDITED)

	<u>2014</u>	<u>2013</u>
<u>SCHOOL DISTRICT'S PROPORTION OF THE NET PENSION LIABILITY (ASSET):-</u>	<u>.1003%</u>	<u>.0936%</u>
<u>SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET):-</u>	<u>\$ 39,700,000</u>	<u>\$ 38,316,000</u>
<u>SCHOOL DISTRICT'S COVERED-EMPLOYEE PAYROLL:-</u>	<u>\$ 12,797,400</u>	<u>\$ 12,013,374</u>
<u>SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF ITS COVERED-EMPLOYEE PAYROLL:-</u>	<u>310.22%</u>	<u>318.94%</u>
<u>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY:-</u>	<u>57.24%</u>	<u>54.49%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for which those years are available.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

(UNAUDITED)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>REVENUES:-</u>				
Local Revenues	\$ 15,105,010	\$ 15,165,579	\$ 15,327,760	\$ 162,181
State Program Revenues	18,533,088	18,540,306	19,230,202	689,896
Federal Program Revenues	1,531,069	1,746,810	1,551,526	(195,284)
<u>TOTAL REVENUES:-</u>	<u>\$ 35,169,167</u>	<u>\$ 35,452,695</u>	<u>\$ 36,109,488</u>	<u>\$ 656,793</u>
<u>EXPENDITURES:-</u>				
Regular Programs	\$ 12,180,486	\$ 12,020,951	\$ 11,936,970	\$ 83,981
Special Programs	3,966,712	4,014,055	3,950,509	63,546
Vocational Programs	2,065,934	2,002,424	1,967,910	34,514
Other Instructional Programs	171,992	305,316	299,231	6,085
Non-Public School Programs	9,000	4,044		4,044
Pupil Personnel Services	745,996	790,993	773,559	17,434
Instructional Staff Services	1,171,222	1,522,569	1,276,866	245,703
Administrative Services	2,432,796	2,307,310	2,234,454	72,856
Pupil Health	422,973	389,223	376,552	12,671
Business Services	491,720	491,720	484,474	7,246
Operation and Maintenance of Plant Services	2,775,292	2,770,980	2,759,355	11,625
Student Transportation Services	3,365,177	3,809,177	3,807,416	1,761
Central Services	756,430	759,902	735,169	24,733
Other Support Services	48,252	52,752	52,279	473
Student Activities	646,041	709,959	685,139	24,820
Community Services	3,000	16,912	14,185	2,727
Facilities Acquisition and Construction	0	15,056	1,458,873	(1,443,817)
Debt Service	3,817,371	202,673	200,687	1,986
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 35,070,394</u>	<u>\$ 32,186,016</u>	<u>\$ 33,013,628</u>	<u>\$ (827,612)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</u>	<u>\$ 98,773</u>	<u>\$ 3,266,679</u>	<u>\$ 3,095,860</u>	<u>\$ (170,819)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

(UNAUDITED)

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		WITH FINAL BUDGET POSITIVE (NEGATIVE)
<u>OTHER FINANCING SOURCES (USES):-</u>				
Interfund Transfers In	\$	\$	\$ 129,956	\$ 129,956
Refunds of Prior Year Expenditure	65,000	65,000	90,191	25,191
Interfund Transfers Out		(3,485,197)	(3,485,197)	0
Refunds of Prior Year Revenues	(10,000)		5,900	5,900
Sale of Assets	7,000	7,000	14,365	7,365
Budgetary Reserve	(307,000)			0
Proceeds from External Term Financing			1,443,845	1,443,845
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	\$ (245,000)	\$ (3,413,197)	\$ (1,800,940)	\$ 1,612,257
<u>NET CHANGE IN FUND BALANCE:-</u>	\$ (146,227)	\$ (146,518)	\$ 1,294,920	\$ 1,441,438
<u>INCREASE (DECREASE) IN RESERVE FOR MATERIALS AND SUPPLIES:-</u>			(5,370)	(5,370)
<u>INCREASE (DECREASE) IN RESERVE FOR PROGRAMS AND GRANTS:-</u>			11,295	11,295
<u>BEGINNING FUND BALANCE:-</u>	11,591,328	11,591,328	12,349,436	758,108
<u>ENDING FUND BALANCE:-</u>	\$ 11,445,101	\$ 11,444,810	\$ 13,650,281	\$ 2,205,471

CONNEAUT SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(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>
12/01/09	\$ 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%
12/01/13	0	9,910,623	9,910,623	0.0%	11,452,740	86.53%

STATEMENTS OF ASSETS, LIABILITIES AND FUND EQUITY

GENERAL FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalent	\$ 16,088,327	\$ 14,434,266
Inter-Governmental Receivables	1,537,476	1,629,290
Other Receivables	15,660	15,180
Delinquent Taxes Receivable	2,225,683	2,230,577
Prepaid Expenses	119,988	49,699
Inventories	91,571	96,941
Due from Other Funds	265,039	172,113
	<hr/>	<hr/>
<u>TOTAL ASSETS:-</u>	<u>\$ 20,343,744</u>	<u>\$ 18,628,066</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>		
	<u>\$ 0</u>	<u>\$ 0</u>
	<hr/>	<hr/>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 20,343,744</u>	<u>\$ 18,628,066</u>
<u>LIABILITIES:-</u>		
Interfund Payables	\$	\$ 8,072
Accounts Payable	1,446,932	1,211,500
Accrued Salaries and Benefits	2,951,015	2,759,085
Unearned Revenues	2,078,307	2,097,432
Prepayments	217,209	202,541
	<hr/>	<hr/>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 6,693,463</u>	<u>\$ 6,278,630</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>		
	<u>\$ 0</u>	<u>\$ 0</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 6,693,463</u>	<u>\$ 6,278,630</u>
<u>FUND EQUITY:-</u>		
<u>Fund Balances -</u>		
Restricted for Specific Purposes	\$ 27,929	\$ 16,634
Assigned for Employee Benefit Trust	366,224	366,224
Nonspendable - Inventory	91,571	96,941
Nonspendable - Prepays	119,988	49,699
<u>Assigned for Subsequent Years' Budgets -</u>		
2014 - 2015		146,519
2015 - 2016	1,229,648	1,574,537
2016 - 2017	1,806,524	2,637,639
2017 - 2018	3,645,255	3,564,353
2018 - 2019	3,463,142	996,890
Unassigned	2,900,000	2,900,000
	<hr/>	<hr/>
<u>TOTAL FUND EQUITY:-</u>	<u>\$ 13,650,281</u>	<u>\$ 12,349,436</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY:-</u>	<u>\$ 20,343,744</u>	<u>\$ 18,628,066</u>

ANALYSIS OF CHANGES IN FUND EQUITY

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>BEGINNING FUND EQUITY:-</u>	\$ 12,349,436	\$ 11,308,104
<u>ADD:</u> Revenues and Other Financing Sources	<u>37,787,845</u>	<u>35,932,688</u>
	\$ 50,137,281	\$ 47,240,792
<u>LESS:</u> Expenditures and Other Financing Uses	(36,492,925)	(34,902,912)
<u>INCREASE (DECREASE) IN MATERIAL AND SUPPLY:-</u>	(5,370)	7,309
<u>INCREASE (DECREASE) IN FUNDS AND GRANTS:-</u>	<u>11,295</u>	<u>4,247</u>
<u>ENDING FUND EQUITY:-</u>	<u>\$ 13,650,281</u>	<u>\$ 12,349,436</u>

DETAILED SCHEDULE OF REVENUES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		VARIANCE	2014
	FINAL BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)	ACTUAL
<u>REVENUES FROM LOCAL SOURCES:-</u>				
Current Real Estate Taxes	\$ 11,768,394	\$ 11,816,858	\$ 48,464	\$ 11,528,235
Public Utility Realty Tax	19,000	18,589	(411)	18,498
Current Payments in Lieu of Tax	108,000	108,930	930	108,031
Per Capita Taxes, Act 679	46,200	43,642	(2,558)	44,999
Per Capita Taxes, Act 51	46,200	43,642	(2,558)	44,999
Earned Income Taxes	1,274,728	1,371,347	96,619	1,371,405
Real Estate Transfer Taxes	150,355	173,776	23,421	211,284
Delinquent Taxes	1,509,032	1,591,097	82,065	1,795,273
Earnings on Temporary Investments	60,000	49,053	(10,947)	45,271
Rentals		0	0	6,660
Tuition	3,500	6,541	3,041	6,095
Miscellaneous Revenue	180,170	104,285	(75,885)	201,091
<u>TOTAL REVENUES FROM LOCAL SOURCES:-</u>				
	\$ 15,165,579	\$ 15,327,760	\$ 162,181	\$ 15,381,841
<u>REVENUES FROM STATE SOURCES:-</u>				
Basic Instructional Subsidy	\$ 10,713,150	\$ 10,713,142	\$ (8)	\$ 10,713,167
Tuition Institution Children	80,000	57,235	(22,765)	42,655
Vocational Education	48,000	67,805	19,805	77,600
Special Education of Exceptional Pupils	1,607,064	1,634,010	26,946	1,654,479
Transportation - Regular and Additional	2,237,000	2,517,433	280,433	2,467,902
Rentals and Sinking Fund Payments	661,000	637,540	(23,460)	662,656
Accountability Block Grant	193,280	0	(193,280)	193,280
Ready to Learn Block Grant		344,072	344,072	0
Health Services	47,000	44,015	(2,985)	45,459
Social Security	513,950	505,812	(8,138)	497,459
Retirement	1,462,354	1,698,780	236,426	1,093,745
Other Grants	7,508	7,508	0	16,879
Property Tax Reduction Allocation	970,000	970,290	290	970,618
Safe Schools Grant		32,560	32,560	0
<u>TOTAL REVENUES FROM STATE SOURCES:-</u>				
	\$ 18,540,306	\$ 19,230,202	\$ 689,896	\$ 18,435,899

DETAILED SCHEDULE OF REVENUES

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		VARIANCE FAVORABLE (UNFAVORABLE)	2014 ACTUAL
	FINAL BUDGET	ACTUAL		
<u>REVENUES FROM FEDERAL SOURCES:-</u>				
I.D.E.A. Grant	\$ 386,048	\$ 439,198	\$ 53,150	\$ 295,873
ACCESS	12,000	50,336	38,336	58,839
Rural and Low Income Grant	81,770	39,890	(41,880)	32,213
Revenue from Other Intermediate Sources - Federal	1,266,992	1,022,102	(244,890)	1,322,096
<u>TOTAL REVENUES FROM FEDERAL SOURCES:-</u>	<u>\$ 1,746,810</u>	<u>\$ 1,551,526</u>	<u>\$ (195,284)</u>	<u>\$ 1,709,021</u>
<u>REFUND OF PRIOR YEARS' EXPENDITURES:-</u>	<u>\$ 65,000</u>	<u>\$ 90,191</u>	<u>\$ 25,191</u>	<u>\$ 387,472</u>
<u>PROCEEDS OF LONG-TERM DEBT:-</u>	<u>\$ 0</u>	<u>\$ 1,443,845</u>	<u>\$ 1,443,845</u>	<u>\$ 0</u>
<u>SALE OF ASSETS:-</u>	<u>\$ 7,000</u>	<u>\$ 14,365</u>	<u>\$ 7,365</u>	<u>\$ 6,809</u>
<u>TRANSFERS FROM OTHER FUNDS:-</u>	<u>\$ 0</u>	<u>\$ 129,956</u>	<u>\$ 129,956</u>	<u>\$ 11,646</u>
<u>TOTAL REVENUES:-</u>	<u>\$ 35,524,695</u>	<u>\$ 37,787,845</u>	<u>\$ 2,263,150</u>	<u>\$ 35,932,688</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "D"

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

CAPITAL RESERVE FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>		
Cash	\$ <u>1,074,099</u>	\$ <u>1,184,955</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ <u> 0</u>	\$ <u> 0</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 1,074,099</u>	<u>\$ 1,184,955</u>
<u>LIABILITIES:-</u>		
Accounts Payable	\$ 95,015	\$ 26,959
Retainage Payable	<u>10,000</u>	<u>1,455</u>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 105,015</u>	<u>\$ 28,414</u>
<u>DEFERRED INFLOWS OF RESOURCES:-</u>	\$ <u> 0</u>	\$ <u> 0</u>
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>	<u>\$ 105,015</u>	<u>\$ 28,414</u>
<u>FUND BALANCE RESTRICTED FOR CAPITAL OUTLAY:-</u>	<u>\$ 969,084</u>	<u>\$ 1,156,541</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 1,074,099</u>	<u>\$ 1,184,955</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "E"

STATEMENTS OF REVENUES AND EXPENDITURES

CAPITAL RESERVE FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>BEGINNING FUND BALANCE:-</u>	<u>\$ 1,156,541</u>	<u>\$ 1,969,632</u>
<u>REVENUES:-</u>		
Interest Earned	<u>\$ 2,204</u>	<u>\$ 2,791</u>
<u>EXPENDITURES:-</u>		
Professional	\$ 32,094	\$ 28,449
Construction and Repairs	155,716	754,522
Equipment Purchases		28,122
Advertising	1,851	543
Supplies		<u>4,246</u>
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 189,661</u>	<u>\$ 815,882</u>
<u>ENDING FUND BALANCE:-</u>	<u><u>\$ 969,084</u></u>	<u><u>\$ 1,156,541</u></u>

CONNEAUT SCHOOL DISTRICT

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

ALL DEBT SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	2004 BOND SINKING	2007 BOND SINKING	2012 BOND SINKING	2013 BOND SINKING	2015 BOND SINKING	TOTAL
REVENUES:-	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest Earnings						
EXPENDITURES:-	\$ 156,751	\$ 1,047,832	\$ 180,117	\$ 150,497	\$	\$ 1,535,197
Debt Service Interest	1,035,000	175,000	165,000	690,000		2,065,000
Debt Service Principal						
TOTAL EXPENDITURES:-	\$ 1,191,751	\$ 1,222,832	\$ 345,117	\$ 840,497	\$ 0	\$ 3,600,197
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-	\$ (1,191,751)	\$ (1,222,832)	\$ (345,117)	\$ (840,497)	\$ 0	\$ (3,600,197)
OTHER FINANCING SOURCES (USES):-	\$ 1,191,751	\$ 1,107,832	\$ 345,117	\$ 840,497	\$	\$ 3,485,197
Transfers from General Fund					9,690,000	9,690,000
Proceeds from Long-Term Debt					(9,373,600)	(9,373,600)
Payment to Bond Escrow Agent					(83,370)	(83,370)
Bond Issue Costs		115,000			115,000	115,000
Transfer from Other Funds	(129,956)				(115,000)	(129,956)
Transfer to General Fund					(115,000)	(115,000)
Transfer to Other Funds						
Refund of Remaining Escrow Fund	129,956					129,956
Bond Discount/Premium					(111,822)	(111,822)
TOTAL OTHER FINANCING SOURCES (USES):-	\$ 1,191,751	\$ 1,222,832	\$ 345,117	\$ 840,497	\$ 6,208	\$ 3,606,405
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES):-	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,208	\$ 6,208
BEGINNING FUND BALANCE:-	0	0	0	0	0	0
ENDING FUND BALANCE:-	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,208	\$ 6,208

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

CONNEAUT SCHOOL DISTRICT

EXHIBIT "G"

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>	\$ 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	\$ 1,191,751	\$ 1,061,375
Transfers from Other Funds		261,753
Refund of Remaining Escrow Funds	<u>129,956</u>	
<u>TOTAL REVENUES:-</u>	<u>\$ 1,321,707</u>	<u>\$ 1,323,128</u>
 <u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 156,751	\$ 338,128
Debt Service - Principal	1,035,000	985,000
Transfer to General Fund	<u>129,956</u>	
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,321,707</u>	<u>\$ 1,323,128</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

2007 BOND SINKING FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</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	\$ 1,107,832	\$ 1,409,904
Transfers from Other Funds	115,000	
<u>TOTAL REVENUES:-</u>	<u>\$ 1,222,832</u>	<u>\$ 1,409,904</u>
 <u>E X P E N D I T U R E S</u> 		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 1,047,832	\$ 1,239,904
Debt Service - Principal	175,000	170,000
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 1,222,832</u>	<u>\$ 1,409,904</u>
<u>REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ 0	\$ 0
<u>ENDING FUND BALANCE:-</u>	0	0
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND</u> <u>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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>	\$ 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	\$ 5,911
 <u>R E V E N U E S</u> 		
<u>REVENUES:-</u>		
Transfers from General Fund	\$ 345,117	\$ 336,052
 <u>E X P E N D I T U R E S</u> 		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 180,117	\$ 181,963
Debt Service - Principal	165,000	160,000
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 345,117</u>	<u>\$ 341,963</u>
<u>REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ 0	\$ (5,911)
<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

2013 BOND SINKING FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS:-</u>	\$ 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	\$ 840,497	\$ 96,065
<u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		
Debt Service - Interest	\$ 150,497	\$ 86,065
Debt Service - Principal	690,000	10,000
Transfer to General Fund		8,829
Transfer to Other Funds		832,212
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 840,497</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>\$ 0</u>	<u>\$ 841,041</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES):-</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>

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

2015 BOND SINKING FUND

AS OF JUNE 30, 2015

<u>ASSETS:-</u>		
Investments		\$ 6,208
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>		\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>		<u>\$ 6,208</u>
<u>LIABILITIES:-</u>		\$ 0
<u>DEFERRED INFLOWS OF RESOURCES:-</u>		\$ 0
<u>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:-</u>		\$ 0
<u>FUND BALANCE:-</u>		
Beginning Balance		\$ 0
<u>R E V E N U E S</u>		
<u>REVENUES:-</u>		\$ 0
<u>TOTAL REVENUES:-</u>		\$ 0
<u>E X P E N D I T U R E S</u>		
<u>EXPENDITURES:-</u>		\$ 0
<u>TOTAL EXPENDITURES:-</u>		\$ 0
<u>OTHER FINANCING SOURCES AND (USES):-</u>		
Proceeds from Long-Term Debt		\$ 9,690,000
Payment to Bond Escrow Agent		(9,373,600)
Bond Discount		(111,822)
Bond Issue Costs		(83,370)
Transfer to Other Funds		(115,000)
<u>TOTAL OTHER FINANCING SOURCES AND (USES):-</u>		<u>\$ 6,208</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES):-</u>		\$ 6,208
<u>ENDING FUND BALANCE:-</u>		<u>0</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>		<u>\$ 6,208</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "L"

STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE

HENRETTA MEMORIAL LIBRARY BUILDING FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>INVESTMENTS:-</u>		
Savings	\$ 137,554	\$ 135,511
<u>DEFERRED OUTFLOWS OF RESOURCES:-</u>	\$ 0	\$ 0
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:-</u>	<u>\$ 137,554</u>	<u>\$ 135,511</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>HENRETTA MEMORIAL LIBRARY BUILDING FUND:-</u>	\$ 137,554	\$ 135,511
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:-</u>	<u>\$ 137,554</u>	<u>\$ 135,511</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "M"

STATEMENTS OF REVENUES AND EXPENDITURES

HENRETTA MEMORIAL LIBRARY BUILDING FUND

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>BEGINNING CASH BALANCE:-</u>	\$ 135,511	\$ 133,178
<u>REVENUES:-</u>		
Transfers from Henretta Trust	\$ 1,770	\$ 1,675
Interest Earned	273	658
<u>TOTAL REVENUES:-</u>	<u>\$ 2,043</u>	<u>\$ 2,333</u>
<u>EXPENDITURES:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>ENDING CASH BALANCE:-</u>	<u>\$ 137,554</u>	<u>\$ 135,511</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "N"

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

LINESVILLE-CONNEAUT-SUMMIT HIGH SCHOOL MEMORIAL/SCHOLARSHIP FUND

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>A S S E T S</u>		
<u>ASSETS:-</u>		
Investments	<u>\$ 43,432</u>	<u>\$ 43,151</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>\$ 43,432</u>	<u>\$ 43,151</u>
<u>TOTAL LIABILITIES AND FUND BALANCE:-</u>	<u>\$ 43,432</u>	<u>\$ 43,151</u>

STATEMENT OF REVENUES AND EXPENDITURES

LINESVILLE-CONNEAUT-SUMMIT HIGH SCHOOL MEMORIAL/SCHOLARSHIP FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2015</u>
Dressel Scholarship	\$ 8,892	\$ 18	\$	\$ 8,910
Summers Scholarship	9,975	20		9,995
G/W Line Scholarship	24,284	243		24,527
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTALS:-</u>	<u>\$ 43,151</u>	<u>\$ 281</u>	<u>\$ 0</u>	<u>\$ 43,432</u>

COMBINING STATEMENT OF ASSETS AND LIABILITIES

ALL AGENCY FUNDS

AS OF JUNE 30, 2015

	<u>SPECIAL</u> <u>MAINTENANCE</u> <u>ESCROW</u>	<u>ACTIVITY</u> <u>FUNDS</u>	<u>TOTAL</u>
A S S E T S			
<u>ASSETS:-</u>			
Cash	\$ 27,821	\$ 73,697	\$ 101,518
	<u> </u>	<u> </u>	<u> </u>
<u>TOTAL ASSETS:-</u>	<u>\$ 27,821</u>	<u>\$ 73,697</u>	<u>\$ 101,518</u>
L I A B I L I T I E S			
<u>CURRENT LIABILITIES:-</u>			
Special Maintenance Escrow	\$ 27,821	\$	\$ 27,821
Student Activities	<u> </u>	<u>73,697</u>	<u>73,697</u>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 27,821</u>	<u>\$ 73,697</u>	<u>\$ 101,518</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "Q"

STATEMENTS OF ASSETS AND LIABILITIES

SPECIAL MAINTENANCE ESCROW

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>A S S E T S</u>		
<u>CASH:-</u>	<u>\$ 27,821</u>	<u>\$ 27,385</u>
<u>L I A B I L I T I E S</u>		
<u>SPECIAL MAINTENANCE ESCROW:-</u>	<u>\$ 27,821</u>	<u>\$ 27,385</u>

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

SPECIAL MAINTENANCE ESCROW

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>BEGINNING CASH BALANCE:-</u>	\$ 27,385	\$ 29,855
<u>RECEIPTS:-</u>		
Custodial Deposits	\$ 381	\$ 289
Interest Earned	55	58
<u>TOTAL RECEIPTS:-</u>	<u>\$ 436</u>	<u>\$ 347</u>
<u>DISBURSEMENTS:-</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>OTHER FINANCING SOURCES (USES):-</u>		
Transfer to General Fund	\$ 0	\$ (2,817)
<u>ENDING CASH BALANCE:-</u>	<u>\$ 27,821</u>	<u>\$ 27,385</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "S"

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

ACTIVITY FUNDS

AS OF JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>A S S E T S</u>		
<u>CASH:-</u>	<u>\$ 73,697</u>	<u>\$ 76,724</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>		
Activity Fund Balance	<u>\$ 73,697</u>	<u>\$ 76,724</u>
<u>TOTAL LIABILITIES AND FUND BALANCE:-</u>	<u>\$ 73,697</u>	<u>\$ 76,724</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT AREA HIGH SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2015</u>
Drama Club	\$ 1,987	\$ 2,286	\$ 2,611	\$ 1,662
Environmental Club	532	235	540	227
Future Farmers of America	4,479	59,290	54,145	9,624
Spread the Word Club	1,804		575	1,229
Basketball Cheerleaders	149			149
National Honor Society	4,796	25,303	24,276	5,823
Pep Club	4,526	8,782	8,232	5,076
Student Council	8,632	2,473	7,462	3,643
Yearbook Account	12,324	13,944	15,292	10,976
Class of 2016	0	17,177	12,063	5,114
Class of 2015	7,692	12,554	15,770	4,476
Class of 2014	4,295		4,295	0
Money Central Club	153	775		928
Football Cheerleaders	358			358
Spanish Club	4,818	13,868	16,760	1,926
Woodworking Club	324	130		454
Spirit Club	534	249	600	183
German Club	100	6,129	6,222	7
Book Club	48	369	412	5
Friends of Rachel	110			110
Wrestling Cheerleaders	177		177	0
Stand Tall	0	1,052	926	126
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTALS:-</u>	<u>\$ 57,838</u>	<u>\$ 164,616</u>	<u>\$ 170,358</u>	<u>\$ 52,096</u>

STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT VALLEY MIDDLE SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2015</u>
Band Fund	\$ 266	\$	\$	\$ 266
Cheerleaders	454			454
Drama Club	1,840	1,984	1,248	2,576
Student Council	469			469
Yearbook (Valley Echo)	4,105	3,491	3,796	3,800
Student Services	2,994	2,375	3,245	2,124
<u>TOTALS:-</u>	<u>\$ 10,128</u>	<u>\$ 7,850</u>	<u>\$ 8,289</u>	<u>\$ 9,689</u>

CONNEAUT SCHOOL DISTRICT

EXHIBIT "V"

STATEMENT OF RECEIPTS AND DISBURSEMENTS

CONNEAUT LAKE MIDDLE SCHOOL ACTIVITY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	<u>BEGINNING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>ENDING</u> <u>BALANCE</u> <u>JUNE 30,</u> <u>2015</u>
Band	\$ 0	\$ 4,231	\$ 965	\$ 3,266
Cheerleaders	177	1,807	1,897	87
Tribune Newspaper	169			169
Drama Club	891	690	517	1,064
Inter-Club Council	1,299	2,410	1,847	1,862
Yearbook	4,097	3,501	4,013	3,585
Student Council - Middle School	1,887	2,745	2,992	1,640
Ecology Club	239			239
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>TOTALS:-</u>	<u>\$ 8,759</u>	<u>\$ 15,384</u>	<u>\$ 12,231</u>	<u>\$ 11,912</u>

STATISTICAL SUPPLEMENTAL INFORMATION

JUNE 30, 2015

LARGEST REAL ESTATE TAXPAYERS:-

The ten (10) largest real estate taxpayers in 2015 in the School District and their current assessed valuation of real estate are as follows:

<u>TAXPAYER</u>	<u>TYPE OF BUSINESS</u>	<u>2015 ASSESSED VALUE</u>
J&M Manufacturing Company, Inc.....	Industrial.....	\$ 3,240,041
Sperry Farms, Inc.....	Commercial.....	1,580,276
Rolling Fields Nursing Home, Inc....	Commercial.....	1,559,049
Pittsburgh Glass Works, LLC.....	Industrial.....	1,372,000
Esmark Realty Associates PA I, LP...	Commercial.....	692,701
Bortnick Dairy, LLC.....	Residential/Commercial.....	636,036
Palfund Association.....	Commercial.....	584,200
Haase, Mark L. and Rosalie.....	Residential/Commercial.....	564,084
Burns, Brian.....	Residential/Commercial.....	537,600
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%
2014-15	867,184,100	282,960,556	32.63%

Source: State Tax Equalization Board

STATISTICAL SUPPLEMENTAL INFORMATION

JUNE 30, 2015

REAL ESTATE TAX COLLECTIONS:-

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Adjusted					
Assessed Value..\$	<u>274,612,111</u>	<u>277,661,595</u>	<u>278,365,246</u>	<u>280,709,829</u>	<u>282,905,502</u>
Millage Rate.....	<u>50.05</u>	<u>50.05</u>	<u>50.05</u>	<u>50.05</u>	<u>50.55</u>
Levy.....\$	<u>13,744,336</u>	<u>13,896,963</u>	<u>13,932,181</u>	<u>14,049,527</u>	<u>14,300,873</u>
Property Tax					
Reduction					
Allocation.....\$	<u>970,238</u>	<u>970,167</u>	<u>970,131</u>	<u>970,618</u>	<u>970,290</u>
Total					
Collections					
(Current and					
Delinquent).....\$	<u>12,587,845</u>	<u>13,005,976</u>	<u>12,868,986</u>	<u>13,323,508</u>	<u>13,407,955</u>
Percent Total					
Collections to					
Current Levy....	<u>98.7%</u>	<u>101%</u>	<u>99.3%</u>	<u>101.7%</u>	<u>100.5%</u>

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 2012-13.....\$	35,142,917
Total Revenues for 2013-14.....	35,919,357
Total Revenues for 2014-15.....	<u>36,214,044</u>
 <u>TOTAL:-</u>	 <u>\$ 107,276,318</u>
 Annual Arithmetic Average (Borrowing Base).....\$	 <u>35,758,773</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: \$ 35,758,773 x 225% = \$ 80,457,238.

Source: School District Officials