

**Carrollton Exempted Village  
School District  
Carroll County, Ohio**  
*Audited Financial Statements*

*June 30, 2011*





# Dave Yost • Auditor of State

Board of Education  
Carrollton Exempted Village School District  
352 Third Street NE  
Carrollton, Ohio 44615

We have reviewed the *Independent Auditor's Report* of the Carrollton Exempted Village School District, Carroll County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

March 1, 2012

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT  
CARROLL COUNTY**

**JUNE 30, 2011**

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**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT  
CARROLL COUNTY**

**JUNE 30, 2011**

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December 23, 2011

To the Board of Education  
Carrollton Exempted Village School District  
Carrollton, OH 44615

### **Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carrollton Exempted Village School District (the "School District"), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Food Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

Carrollton Exempted Village School District  
Independent Auditor's Report  
December 23, 2011

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*

## **Carrollton Exempted Village School District**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011*

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The discussion and analysis of the Carrollton Exempted Village School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

#### ***Financial Highlights***

Key financial highlights for 2011 are as follows:

- General Revenues accounted for \$20,296,422 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$4,303,007 or 17 percent of total revenues of \$24,599,429.
- Total program expenses were \$22,061,296.
- In total, net assets increased \$2,538,133, which represents a 25 percent increase from 2010.

#### ***Using this Annual Report***

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Carrollton Exempted Village School District, the general fund is by far the most significant fund.

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

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

A question typically asked about the School District's finances "How did we do financially during fiscal year 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets 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, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, i.e., food service operations.

The government-wide financial statements begin on page 10.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and food service 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 balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the food service fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund and food service fund. Budgetary comparison statements have been provided for the general fund and the food service fund to demonstrate compliance with its budget.

The governmental fund financial statements begin on page 12.

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Proprietary Fund** – The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2011	Restated 2010
<b>Assets</b>		
Current and Other Assets	\$ 15,783,430	\$ 13,582,323
Capital Assets	5,831,603	5,936,017
<i>Total Assets</i>	21,615,033	19,518,340
<b>Liabilities</b>		
Long-term Liabilities	1,359,326	1,425,522
Other Liabilities	7,601,949	7,977,193
<i>Total Liabilities</i>	8,961,275	9,402,715
<b>Net Assets</b>		
Invested in Capital Assets, net of Debt	5,831,603	5,919,447
Restricted	28,498	11,678
Unrestricted	6,793,657	4,184,500
<i>Total Net Assets</i>	\$ 12,653,758	\$ 10,115,625

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

Total assets increased by \$2,096,693. The majority of the increase in assets is due to an increase in cash due to receipts exceeding disbursements in the current year. A decrease of \$104,414 in total capital assets reflects current year depreciation and disposals exceeding additional purchases.

Table 2 shows the changes in net assets for fiscal year 2011 and 2010. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,245,638	\$ 926,585
Operating Grants	3,057,369	2,941,215
<i>General Revenues:</i>		
Property Taxes	7,492,216	5,927,894
Grants and Entitlements	12,689,612	12,824,278
Other	114,594	117,356
<i>Total Revenues</i>	24,599,429	22,737,328
<b>Program Expenses</b>		
Instruction	12,567,114	12,372,215
Support Services	8,160,200	7,663,834
Operation of Non-Instructional	763,336	776,947
Extracurricular Activities	570,434	590,858
Interest and Fiscal Charges	212	1,796
<i>Total Expenses</i>	22,061,296	21,405,650
<i>Increase (Decrease) in</i>		
<i>Net Assets</i>	\$ 2,538,133	\$ 1,331,678

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$24,599,429 and expenditures of \$22,061,296. Property taxes increased by \$1,564,322 which was the result of fiscal year 2011 property taxes available for advance from the County Auditor increasing approximately \$1.3 million (See Note 7.)

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

**(Table 3)**  
**Governmental Activities**  
**Total Cost & Net Cost of Program Services**

	2011	2010	2011	2010
	Total Cost of Service	Total Cost of Service	Net Cost of Service	Net Cost of Service
Instruction	\$ 12,567,114	\$ 12,372,215	\$ (9,929,766)	\$ (10,322,012)
Support Services:				
Pupil and Instructional Staff	2,427,374	2,185,246	(1,520,209)	(1,130,507)
Board of Education, Administration, Fiscal and Business	2,273,290	2,197,549	(2,273,290)	(2,197,549)
Operation and Maintenance of Plant	1,773,043	1,745,601	(1,761,668)	(1,730,074)
Pupil Transportation	1,639,686	1,501,528	(1,633,351)	(1,488,097)
Central	46,807	33,910	(46,807)	(33,910)
Operation of Non-Instructional Extracurricular Activities	763,336	776,947	(163,753)	(141,630)
Interest and Fiscal Charges	570,434	590,858	(429,233)	(492,275)
	212	1,796	(212)	(1,796)
<i>Total Expenses</i>	<u>\$ 22,061,296</u>	<u>\$ 21,405,650</u>	<u>\$ (17,758,289)</u>	<u>\$ (17,537,850)</u>

Instruction and student support services comprise 68 percent of governmental program expenses.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only provide for 20 percent of all governmental expenses. Program revenues include charges for services and grants and contributions that are program specific. The community is the second largest area of support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues, including other financing sources, of \$24,666,536 and expenditures, including other financing uses, of \$22,404,794 for fiscal year 2011.

***General Fund***

The School District's general fund balance increased \$2,224,987. This increase in fund balance can be attributed to an increase in revenues primarily due to the increase in tax revenue of \$1,558,287 which was caused by an increase in the amount of property taxes available for advance of approximately \$1.3 million.

***Food Service Fund***

The School District's food service fund balance increased \$461.

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the School District did modify its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, final budget basis revenue including other financing sources was \$19,510,810, representing a \$662,171 increase from the original estimate of \$18,848,639. Most of this difference is due to an underestimation of advances in and rent revenue.

Final appropriations of \$18,988,775 were \$82,969 under the original estimate of \$19,071,744, as cost savings were recognized for instruction and student support services throughout the year.

**Capital Assets**

At the end of fiscal year 2011, the School District had \$5,831,603 invested in land, land improvements, buildings and building improvements, improvements other than buildings, furniture and fixtures, machinery and equipment and vehicles. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 101,246	\$ 101,246
Land Improvements	657,599	712,155
Buildings and Building Improvements	3,141,240	3,147,086
Improvements Other Than Buildings	186,534	195,766
Furniture and Fixtures	138,230	130,706
Machinery and Equipment	607,767	449,119
Vehicles	998,987	1,199,939
<i>Totals</i>	\$ 5,831,603	\$ 5,936,017

The \$104,414 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 9 for more information about the capital assets of the School District.

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2011, this amounted to \$354,556 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

**Carrollton Exempted Village School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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***Current Issues***

The Carrollton Exempted Village School District does not receive strong support from the residents of the School District in the form of local tax issues. The School District currently has an effective millage rate of 20 mills, which is the lowest allowed by law. The last operating levy passed by the residents was in November 1977. From 1997 to 1999, numerous bond issues and one permanent improvement levy were all voted down by approximately 60 percent. With the recent recession and high jobless rates, it is believed that current attempts at the ballot would be unsuccessful.

The Carrollton Exempted Village School District does not anticipate any growth in State revenue. Steady declining enrollment over the past decade has caused the School District to be placed on funding guarantees. Although these guarantees protect against heavy State revenue loss, receiving this aid means that revenue was not increasing, while costs were increasing. In addition to the stagnant State revenue in recent years, in FY2010 and FY2011, State funding was made whole with federal stimulus dollars. In FY2012 the \$890,000 that was received the previous year in stimulus money will not be replaced. The passage of SB5 would have helped the School District make up much of the stimulus loss by requiring employees to pay 15 percent of their health care premium. However, this piece of legislation was repealed on the November 2011 ballot.

With minimal support from the local taxpayers, no State funding increases and no final resolution to the replacement of federal stimulus revenue that made State funding whole, planning to meet growing costs has become a concern for the School District. The School District's systems of budgeting and internal controls are well regarded. All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All these financial abilities will be needed to meet the challenges of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors, 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 any questions about this report or need additional financial information, contact Roxanne Mazur, Treasurer of Carrollton Exempted Village School District, 252 Third St. NE, Carrollton, Ohio 44615 or [car\\_roxanne@omeresanet.net](mailto:car_roxanne@omeresanet.net).

**Carrollton Exempted Village School District**

*Statement of Net Assets*

*June 30, 2011*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 6,136,588
Cash and Cash Equivalents with Fiscal Agent	2,851,949
Taxes Receivable	6,504,215
Accounts Receivable	5,476
Intergovernmental Receivable	220,354
Materials and Supplies Inventory	64,848
Non-Depreciable Capital Assets	101,246
Depreciable Capital Assets (Net)	5,730,357
	<hr/>
<i>Total Assets</i>	21,615,033
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<b>Liabilities</b>	
Accounts Payable	179,166
Accrued Wages and Benefits	1,659,261
Intergovernmental Payable	551,645
Accrued Vacation Payable	23,745
Deferred Revenue	4,989,336
Claims Payable	198,796
Long-Term Liabilities:	
Due Within One Year	52,076
Due in More Than One Year	1,307,250
	<hr/>
<i>Total Liabilities</i>	8,961,275
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<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,831,603
Restricted for Other Purposes	28,498
Unrestricted	6,793,657
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<i>Total Net Assets</i>	\$ 12,653,758
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The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2011*

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
<b>Governmental Activities</b>				<b>Governmental Activities</b>
Instruction:				
Regular	\$ 9,454,427	\$ 934,626	\$ 731,980	\$ (7,787,821)
Special	2,518,567	36,790	814,952	(1,666,825)
Vocational	232,349	0	80,066	(152,283)
Student Intervention Services	21,148	0	0	(21,148)
Other	340,623	0	38,934	(301,689)
Support Services:				
Pupils	1,452,352	0	468,468	(983,884)
Instructional Staff	975,022	0	438,697	(536,325)
Board of Education	13,436	0	0	(13,436)
Administration	1,498,751	0	0	(1,498,751)
Fiscal	638,880	0	0	(638,880)
Business	122,223	0	0	(122,223)
Operation and Maintenance of Plant	1,773,043	0	11,375	(1,761,668)
Pupil Transportation	1,639,686	6,335	0	(1,633,351)
Central	46,807	0	0	(46,807)
Operation of Non-Instructional Services:				
Food Service Operations	713,748	122,326	448,981	(142,441)
Community Services	49,588	21,891	6,385	(21,312)
Extracurricular Activities	570,434	123,670	17,531	(429,233)
Interest and Fiscal Charges	212	0	0	(212)
<i>Total Governmental Activities</i>	<u>\$ 22,061,296</u>	<u>\$ 1,245,638</u>	<u>\$ 3,057,369</u>	<u>(17,758,289)</u>

**General Revenues**

Property Taxes Levied for General Purposes	7,492,216
Grants and Entitlements not Restricted to Specific Programs	12,689,612
Investment Earnings	64,631
Miscellaneous	49,963
<i>Total General Revenues</i>	<u>20,296,422</u>
<i>Change in Net Assets</i>	2,538,133
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>10,115,625</u>
<i>Net Assets End of Year</i>	<u>\$ 12,653,758</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	<u>General</u>	<u>Food Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,922,037	\$ 520	\$ 214,031	\$ 6,136,588
Receivables:				
Taxes	6,504,215	0	0	6,504,215
Accounts	5,436	40	0	5,476
Intergovernmental	48,125	559	171,670	220,354
Interfund	171,669	0	0	171,669
Materials and Supplies Inventory	64,848	0	0	64,848
<i>Total Assets</i>	<u>\$ 12,716,330</u>	<u>\$ 1,119</u>	<u>\$ 385,701</u>	<u>\$ 13,103,150</u>
<b>Liabilities</b>				
Accounts Payable	\$ 153,200	\$ 0	\$ 25,966	\$ 179,166
Accrued Wages and Benefits	1,480,710	40,869	137,682	1,659,261
Intergovernmental Payable	511,398	18,361	21,886	551,645
Interfund Payable	0	0	171,669	171,669
Deferred Revenue	4,951,116	559	526	4,952,201
<i>Total Liabilities</i>	<u>7,096,424</u>	<u>59,789</u>	<u>357,729</u>	<u>7,513,942</u>
<b>Fund Balances</b>				
Nonspendable	64,848	0	0	64,848
Restricted	0	0	76,524	76,524
Assigned	241,355	0	0	241,355
Unassigned	5,313,703	(58,670)	(48,552)	5,206,481
<i>Total Fund Balances</i>	<u>5,619,906</u>	<u>(58,670)</u>	<u>27,972</u>	<u>5,589,208</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 12,716,330</u>	<u>\$ 1,119</u>	<u>\$ 385,701</u>	<u>\$ 13,103,150</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

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Total Governmental Fund Balances	\$	5,589,208
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,831,603
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Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$	37,786	
Delinquent Property Taxes		254,215	

Total		292,001
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

2,324,017

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.

Accrued Vacation Payable		(23,745)	
Compensated Absences		(1,359,326)	

Total		(1,383,071)
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Net Assets of Governmental Activities	\$	12,653,758
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The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Food Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 7,460,503	\$ 0	\$ 0	\$ 7,460,503
Intergovernmental	11,868,066	448,981	3,394,512	15,711,559
Interest	6,084	0	0	6,084
Tuition and Fees	675,240	0	0	675,240
Rent	307,119	0	0	307,119
Extracurricular Activities	21,756	0	123,670	145,426
Gifts and Donations	17,365	0	17,531	34,896
Charges for Services	670	122,326	0	122,996
Miscellaneous	49,961	0	2	49,963
<i>Total Revenues</i>	<u>20,406,764</u>	<u>571,307</u>	<u>3,535,715</u>	<u>24,513,786</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,002,796	0	1,572,513	9,575,309
Special	1,703,144	0	813,755	2,516,899
Vocational	256,274	0	0	256,274
Student Intervention Services	21,148	0	0	21,148
Other	285,714	0	54,910	340,624
Support Services:				
Pupils	1,164,450	0	339,535	1,503,985
Instructional Staff	416,639	0	535,692	952,331
Board of Education	13,442	0	0	13,442
Administration	1,478,983	0	35,795	1,514,778
Fiscal	638,711	0	0	638,711
Business	115,915	0	0	115,915
Operation and Maintenance of Plant	1,777,474	0	11,375	1,788,849
Pupil Transportation	1,503,173	0	0	1,503,173
Central	46,807	0	0	46,807
Operation of Non-Instructional Services:				
Food Service Operations	0	722,498	0	722,498
Community Services	41,042	0	7,170	48,212
Extracurricular Activities	403,006	0	148,676	551,682
Capital Outlay	125,723	0	0	125,723
Debt Service:				
Principal Retirement	16,570	0	0	16,570
Interest	212	0	0	212
<i>Total Expenditures</i>	<u>18,011,223</u>	<u>722,498</u>	<u>3,519,421</u>	<u>22,253,142</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,395,541</u>	<u>(151,191)</u>	<u>16,294</u>	<u>2,260,644</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	1,098	0	0	1,098
Transfers In	0	151,652	0	151,652
Transfers Out	(151,652)	0	0	(151,652)
<i>Total Other Financing Sources (Uses)</i>	<u>(150,554)</u>	<u>151,652</u>	<u>0</u>	<u>1,098</u>
<i>Net Change in Fund Balances</i>	2,244,987	461	16,294	2,261,742
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>3,374,919</u>	<u>(59,131)</u>	<u>11,678</u>	<u>3,327,466</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ 5,619,906</u>	<u>\$ (58,670)</u>	<u>\$ 27,972</u>	<u>\$ 5,589,208</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$ 2,261,742
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 416,892	
Current Year Depreciation	<u>(437,510)</u>	
Total		(20,618)
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(83,796)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(1,569)	
Delinquent Property Taxes	<u>31,713</u>	
Total		30,144
 Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		16,570
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Payable	2,740	
Compensated Absences	<u>49,626</u>	
Total		52,366
 The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of internal service fund is allocated among the governmental activities.		
		<u>281,725</u>
Change in Net Assets of Governmental Activities		<u>\$ 2,538,133</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,801,227	\$ 5,610,000	\$ 6,196,503	\$ 586,503
Intergovernmental	12,124,007	12,366,822	11,873,226	(493,596)
Interest	5,636	6,337	6,084	(253)
Tuition and Fees	617,000	707,581	679,339	(28,242)
Rent	4,139	320,361	307,574	(12,787)
Gifts and Donations	0	11,436	10,980	(456)
Charges for Services	27	698	670	(28)
Miscellaneous	13,962	7,785	7,474	(311)
<i>Total Revenues</i>	<u>18,565,998</u>	<u>19,031,020</u>	<u>19,081,850</u>	<u>50,830</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,959,845	7,987,858	8,017,010	(29,152)
Special	1,847,584	2,038,851	1,823,620	215,231
Vocational	289,067	295,067	245,773	49,294
Student Intervention Services	23,001	23,001	21,148	1,853
Other	236,363	214,996	284,878	(69,882)
Support Services:				
Pupils	965,598	1,027,180	1,126,712	(99,532)
Instructional Staff	402,569	436,519	417,743	18,776
Board of Education	38,497	38,497	13,518	24,979
Administration	1,390,379	1,480,379	1,512,143	(31,764)
Fiscal	552,186	592,586	643,722	(51,136)
Business	105,011	62,511	115,915	(53,404)
Operation and Maintenance of Plant	2,107,907	2,088,481	1,840,522	247,959
Pupil Transportation	1,472,384	1,561,974	1,550,836	11,138
Central	44,456	48,856	46,807	2,049
Operation of Non-Instructional Services:				
Community Services	5,602	1,221	11,010	(9,789)
Extracurricular Activities	401,050	406,108	401,836	4,272
Capital Outlay	63,463	61,656	132,566	(70,910)
Debt Service:				
Principal	16,570	16,570	16,570	0
Interest	212	212	212	0
<i>Total Expenditures</i>	<u>18,921,744</u>	<u>18,382,523</u>	<u>18,222,541</u>	<u>159,982</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(355,746)</u>	<u>648,497</u>	<u>859,309</u>	<u>210,812</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	3,000	1,098	1,098	0
Insurance Recoveries	0	15,061	15,061	0
Refund of Prior Year Expenditures	30,000	31,253	31,253	0
Transfers Out	(50,000)	(151,652)	(151,652)	0
Advances In	249,641	432,378	432,378	0
Advances Out	(100,000)	(454,600)	(454,405)	195
<i>Total Other Financing Sources (Uses)</i>	<u>132,641</u>	<u>(126,462)</u>	<u>(126,267)</u>	<u>195</u>
<i>Net Change in Fund Balance</i>	<u>(223,105)</u>	<u>522,035</u>	<u>733,042</u>	<u>211,007</u>
<i>Fund Balance Beginning of Year</i>	<u>4,300,593</u>	<u>4,300,593</u>	<u>4,300,593</u>	<u>0</u>
Prior Year Encumbrances Appropriated	488,658	488,658	488,658	0
<i>Fund Balance End of Year</i>	<u>\$ 4,566,146</u>	<u>\$ 5,311,286</u>	<u>\$ 5,522,293</u>	<u>\$ 211,007</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Food Service Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 503,557	\$ 439,489	\$ 439,489	\$ 0
Charges for Services	150,233	120,533	122,308	1,775
<i>Total Revenues</i>	<u>653,790</u>	<u>560,022</u>	<u>561,797</u>	<u>1,775</u>
<b>Expenditures</b>				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	710,094	719,616	720,872	(1,256)
<i>Excess of Revenues Under Expenditures</i>	<u>(56,304)</u>	<u>(159,594)</u>	<u>(159,075)</u>	<u>519</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	2,609	2,609	0
Transfers In	51,000	151,652	151,652	0
Advances In	0	86,976	86,976	0
Advances Out	0	(86,976)	(86,976)	0
<i>Total Other Financing Sources (Uses)</i>	<u>51,000</u>	<u>154,261</u>	<u>154,261</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,304)	(5,333)	(4,814)	519
<i>Fund Balance Beginning of Year</i>	1,460	1,460	1,460	0
Prior Year Encumbrances Appropriated	3,874	3,874	3,874	0
<i>Fund Balance End of Year</i>	<u>\$ 30</u>	<u>\$ 1</u>	<u>\$ 520</u>	<u>\$ 519</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2011*

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	Governmental Activities - Internal Service Fund
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$ 2,851,949
<b>Current Liabilities</b>	
Deferred Revenue	329,136
Claims Payable	198,796
<i>Total Liabilities</i>	<u>527,932</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 2,324,017</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 3,572,658
<b>Operating Expenses</b>	
Purchased Services	144,694
Claims	3,204,786
<i>Total Operating Expenses</i>	3,349,480
<i>Operating Income</i>	223,178
<b>Non-Operating Revenue</b>	
Interest	58,547
<i>Net Change in Net Assets</i>	281,725
<i>Net Assets Beginning of Year</i>	2,042,292
<i>Net Assets End of Year</i>	\$ 2,324,017

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
<i><b>Increase in Cash and Cash Equivalents</b></i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received for Interfund Services	\$ 3,599,804
Cash Paid for Goods and Services	(144,694)
Cash Paid for Claims	(3,128,156)
	<u>326,954</u>
<i>Net Cash Provided by Operating Activities</i>	<u>326,954</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	58,547
	<u>58,547</u>
<i>Net Increase in Cash and Cash Equivalents</i>	385,501
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,466,448</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 2,851,949</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 223,178
Adjustments:	
Increase in Deferred Revenue	27,146
Increase in Claims Payable	76,630
	<u>76,630</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ 326,954</u>

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2011*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 50,000	\$ 45,081
<b>Liabilities</b>		
Due to Students	0	<u>\$ 45,081</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$ 50,000</u>	

The accompanying notes are an integral part of the basic financial statements.

**Carrollton Exempted Village School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 20,000
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	20,000
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	50,000
<i>Net Assets End of Year</i>	\$ 50,000

The accompanying notes are an integral part of the basic financial statements.

## **Carrollton Exempted Village School District**

### *Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2011*

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#### **Note 1 - Description of the School District and Reporting Entity**

Carrollton Exempted Village School District (the "School District") is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1867 with the construction of a six room school house. The School District serves an area of approximately 297 square miles. It is located in Carroll County, and includes all of the Village of Carrollton. The School District is the 164<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by 94 classified employees and 156 certificated employees who provide services to 2,456 students and other community members. The School District currently operates seven instructional buildings, two administrative buildings and one bus garage.

#### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Carrollton Exempted Village School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a jointly governed organization. This organization is presented in Note 18.

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

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and its internal service funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

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

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

**Food Service Fund** The food service fund accounts for the financial transactions related to the food service operations of the School District.

The other governmental funds of the School District account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical and prescription benefits.

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

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

***D. Basis of Accounting***

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

**E. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the School District's central bank account and are reflected in the financial statement as "Cash and Cash Equivalents with Fiscal Agent."

During fiscal year 2011, investments were limited to STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$6,084, which includes \$2,174 assigned from other School District funds.

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

***G. Inventory***

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed.

Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

***H. Capital Assets***

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 50 Years
Buildings and Building Improvements	10 - 45 Years
Improvements Other Than Buildings	5 - 50 Years
Furniture and Fixtures	10 Years
Machinery and Equipment	5 - 20 Years
Vehicles	5 - 10 Years

***I. Compensated Absences***

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

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

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

***J. Accrued Liabilities and Long-Term Obligations***

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

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

***K. Interfund Balances***

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

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***L. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

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

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

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

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

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

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

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

***N. Interfund Activity***

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

***Q. Estimates***

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

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**R. Changes in Accounting Principles**

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 59, "Financial Instruments Omnibus."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**Note 3 – Restatement of Fund Balances and Net Assets**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the School District' governmental fund balances as previously reported:

	<u>General</u>	<u>Food Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ 3,360,575	\$ (59,131)	\$ 76,022	\$ 3,377,466
Fund Reclassification:				
Public School Support Fund	14,344	0	(14,344)	0
Private Purpose Trust Fund	0	0	(50,000)	(50,000)
Restated Fund Balance at July 1, 2010	<u>\$ 3,374,919</u>	<u>\$ (59,131)</u>	<u>\$ 11,678</u>	<u>\$ 3,327,466</u>

The fund reclassifications had the following effect on net assets previously reported:

	<u>Governmental Activities</u>	<u>Private Purpose Trust Fund</u>
Net Assets Previously Reported at June 30, 2010	\$ 10,165,625	\$ 0
Fund Reclassification:		
Private Purpose Trust Fund	(50,000)	50,000
Restated Net Assets at July 1, 2010	<u>\$ 10,115,625</u>	<u>\$ 50,000</u>

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 4 – Accountability**

Fund balances at June 30, 2011 included the following individual fund deficits:

<i>Major Special Revenue Fund:</i>	
Food Service	\$ 58,670
<i>Non-Major Special Revenue Funds:</i>	
Education Jobs	4,270
Title VI-B	36,452
Fiscal Stabilization	3,439
HC Preschool	448
Title II A	3,943

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 5 - Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general and food service funds:

	<b>Net Change in Fund Balance</b>	
	General	Food Service
GAAP Basis	\$ 2,244,987	\$ 461
Net Adjustment for Revenue Accruals	(817,946)	80,075
Net Adjustment for Expenditure Accruals	(304,602)	(85,350)
Funds Budgeted Elsewhere **	(1,298)	0
Adjustment for Encumbrances	(388,099)	0
Budget Basis	\$ 733,042	\$ (4,814)

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Type Fund Definitions*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies and public school support funds.

**Note 6 - Deposits and Investments**

State statute classifies monies held by the School District into three categories.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 6 - Deposits and Investments (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 6 - Deposits and Investments (Continued)**

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$6,221,653. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, \$5,900,466 of the School District's bank balance of \$6,256,981 was exposed to custodial risk as discussed above, while \$356,515 was covered by Federal Deposit Insurance Corporation.

***Investments***

As of June 30, 2011, the School District had the following investment and maturity:

Investment Type	Fair Value	Investment Maturity 6 Months or Less
STAROhio	\$ 10,016	\$ 10,016

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

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

***Credit Risk*** Standard & Poor's has assigned STAROhio an AAA rating. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk.*** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2011:

Investment Type	Fair Value	Percent of Total
STAROhio	\$ 10,016	100.00%

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 6 - Deposits and Investments (Continued)**

***Funds Held by Fiscal Agent***

The School District participates in the Ohio Mid-Eastern Regional Education Service Agency School Employees Insurance Consortium for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$2,851,949. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2010, and the tax on telephone and telecommunications property was to be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 7 - Property Taxes (Continued)**

The School District receives property taxes from Carroll County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$1,589,800 in the general fund. The amount available as an advance at June 30, 2010, was \$325,800 in the general fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 280,345,380	90.89%	\$ 288,710,740	89.55%
Public Utility Personal	27,451,730	8.90%	33,357,390	10.35%
Tangible Personal Property	648,910	0.21%	335,300	0.10%
Total Assessed Values	\$ 308,446,020	100.00%	\$ 322,403,430	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 29.40		\$ 29.40	

**Note 8 - Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (rent, student fees and tuition), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 101,246	\$ 0	\$ 0	\$ 101,246
<i>Capital Assets being depreciated</i>				
Land Improvements	1,314,825	0	0	1,314,825
Buildings and Building Improvements	6,819,933	104,664	0	6,924,597
Improvements Other Than Buildings	280,062	0	0	280,062
Furniture and Fixtures	240,697	20,469	0	261,166
Machinery and Equipment	2,023,661	289,634	(175,512)	2,137,783
Vehicles	2,601,716	2,125	(106,697)	2,497,144
<i>Total Capital Assets Being Depreciated</i>	<u>13,280,894</u>	<u>416,892</u>	<u>(282,209)</u>	<u>13,415,577</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(602,670)	(54,556)	0	(657,226)
Buildings and Building Improvements	(3,672,847)	(110,510)	0	(3,783,357)
Improvements Other Than Buildings	(84,296)	(9,232)	0	(93,528)
Furniture and Fixtures	(109,991)	(12,945)	0	(122,936)
Machinery and Equipment	(1,574,542)	(80,523)	125,049	(1,530,016)
Vehicles	(1,401,777)	(169,744)	73,364	(1,498,157)
<i>Total Accumulated Depreciation</i>	<u>(7,446,123)</u>	<u>(437,510) *</u>	<u>198,413</u>	<u>(7,685,220)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>5,834,771</u>	<u>(20,618)</u>	<u>(83,796)</u>	<u>5,730,357</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 5,936,017</u>	<u>\$ (20,618)</u>	<u>\$ (83,796)</u>	<u>\$ 5,831,603</u>

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 9 - Capital Assets (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 74,076
Special	12,984
Vocational	67
Support Services:	
Pupils	4,356
Instructional Staff	2,928
Administration	841
Fiscal	1,942
Business	14,275
Operation and Maintenance of Plant	90,482
Pupil Transportation	171,256
Operation of Non-Instructional Services:	
Food Service Operations	5,475
Community Services	1,571
Extracurricular Activities	57,257
<i>Total Depreciation</i>	<u><u>\$ 437,510</u></u>

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the School District contracted with the Schools of Ohio Risk Sharing Authority for property and liability insurance coverage as follows:

<u>Coverage</u>	<u>Amount</u>
General Liability:	
Occurrence	\$ 3,000,000
Aggregate	5,000,000
Buildings and Contents	39,078,927
Steam Boiler	50,000,000
Automobile Liability	3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 10 - Risk Management (Continued)**

***B. Employee Medical Benefits***

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$198,796 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in fund's claims liability for the fiscal years 2011 and 2010 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2010	\$	264,866	\$	3,104,540	\$	3,247,240	\$	122,166
2011	\$	122,166	\$	3,204,786	\$	3,128,156	\$	198,796

**Note 11 - Defined Benefit Pension Plans**

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

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the health care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's contributions for pension obligations to SERS for the years ended June 30, 2011, 2010 and 2009 were \$308,745, \$378,309 and \$272,934, respectively; 46 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - Defined Benefit Pension Plans (Continued)**

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

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member of the DC plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,171,783, \$1,116,808 and \$1,046,522, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$13,384 made by the School District and \$9,560 made by the plan members.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 12 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$37,384, \$13,617 and \$124,907, respectively; 46 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,868 \$22,497 and \$22,519, respectively; 46 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 12 - Postemployment Benefits (Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$90,137, \$85,908 and \$80,502, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 13 - Other Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 240 days for nine, 10 and 11 month classified employees; 260 for 12 month classified employees; and 240 days for certified employees. Upon retirement, payment is made for 30 percent of total sick leave accumulated; to a maximum of 60 days for classified employees, to a maximum of 60 days for certificated employees. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

**B. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to contracted employees through OME-RESA Health Plan Insurance. The Board pays the cost of the monthly premium, \$5.00 per employee.

**Note 14 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	<u>Outstanding 06/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 06/30/2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 1,408,952	\$ 569,594	\$ (619,220)	\$ 1,359,326	\$ 52,076
Capital Lease Payable	16,570	0	(16,570)	0	0
<i>Total Governmental Activities</i>					
<i>Long-Term Obligations</i>	<u>\$ 1,425,522</u>	<u>\$ 569,594</u>	<u>\$ (635,790)</u>	<u>\$ 1,359,326</u>	<u>\$ 52,076</u>

Compensated absences will be paid from the general and food service funds. Capital leases were paid from the general fund, which has been the practice in prior years.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**Note 15 – Capital Leases**

In prior years, the School District entered into a capitalized lease for six copiers. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

Capital assets acquired by the leases have been capitalized in the amount of \$293,737. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2011 totaled \$16,570 in the governmental funds.

**Note 16 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	<u>General</u>	<u>Food Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:				
Materials and Supplies Inventory	\$ 64,848	\$ 0	\$ 0	\$ 64,848
Restricted for:				
Other Purposes	0	0	76,524	76,524
Assigned for:				
Encumbrances	241,355	0	0	241,355
Unassigned	<u>5,313,703</u>	<u>(58,670)</u>	<u>(48,552)</u>	<u>5,206,481</u>
<i>Total Fund Balance (Deficit)</i>	<u><u>\$ 5,619,906</u></u>	<u><u>\$ (58,670)</u></u>	<u><u>\$ 27,972</u></u>	<u><u>\$ 5,589,208</u></u>

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 17 – Interfund Activity**

**A. Interfund Balances**

As of June 30, 2011, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

<b>Fund:</b>	Receivable	Payable
General	\$ 171,669	\$ 0
Other Governmental:		
Title VI-B	0	53,945
Title I	0	102,438
HC Preschool	0	2,875
Title II-A	0	12,411
Totals	\$ 171,669	\$ 171,669

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the Statement of Net Assets.

**B. Interfund Transfers**

During the fiscal year, the general fund transferred \$151,652 to the food service fund to provide additional resources for current operations.

**Note 18 - Jointly Governed Organization**

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Debra Angelo, who serves as Treasurer, Steubenville, Ohio 43952. The School District made contributions of \$69,238 for fiscal year 2011.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**Note 19 - Set-Asides**

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

The following cash basis information describes the change in the set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserved Balance as of June 30, 2010	\$ 0	\$ 0
Current Year Set-aside Requirement	354,556	354,556
Contribution in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Disbursements	(348,805)	(372,949)
Excess Qualified Expenditures from Prior Years	(933,726)	0
Current Year Offsets	0	0
Waiver Granted by Department of Education	0	0
Prior Year Offsets from Bond Proceeds	0	0
Totals	<u>\$ (927,975)</u>	<u>\$ (18,393)</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ (927,975)</u>	<u>\$ 0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. Effective July 1, 2011, textbook set-aside laws have been repealed.

**Note 20 – Operating Leases**

On February 9, 2011, the School District (the “Lessor”) entered into a lease agreement with Chesapeake Exploration, LLC. (the “Lessee”). The School District leased approximately 171 acres of land to the Lessee. The Lessee will pay the School District lease royalty payments of 12.5% of the gross proceeds attributable to the applicable well. In addition, the School District received a bonus payment in June 2011 of \$1,500 per acre, or approximately \$257,191.

On February 15, 2011, the School District (the “Lessor”) entered into another lease agreement with Chesapeake Exploration, LLC. (the “Lessee”). The School District leased approximately 31 acres of land to the Lessee. The Lessee will pay the School District lease royalty payments of 12.5% of the gross proceeds attributable to the applicable well. In addition, the School District received a bonus payment in June 2011 of \$1,500 per acre, or approximately \$46,439.

**Carrollton Exempted Village School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 21 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

***B. Litigation***

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

To the Board of Education  
Carrollton Exempted Village School District  
Carrollton, OH 44615

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carrollton Exempted Village School District (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

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

Carrollton Exempted Village School District  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
December 23, 2011  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 23, 2011.

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

*Rea & Associates, Inc.*

December 23, 2011

To the Board of Education  
Carrollton Exempted Village School District  
Carrollton, OH 44615

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Carrollton Exempted Village School District (the "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 its major federal programs for the year ended June 30, 2011. The 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*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Carrollton Exempted Village School District  
Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and Internal Control over Compliance in Accordance  
with OMB Circular A-133  
December 23, 2011  
Page 2

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

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

*Rea & Associates, Inc.*

**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education</b>				
(Passed Through Ohio Department of Education):				
<i>Title I Cluster</i>				
Title I	84.010	2010	\$ 65,782	\$ 65,814
		2011	669,559	666,774
Title I: ARRA	84.389	2010	5,831	6,986
Total Title I Cluster			741,172	739,574
<i>Special Education Cluster</i>				
IDEA-B	84.027	2010	54,809	54,809
		2011	457,228	457,228
IDEA-B: ECSE	84.173	2010	2,614	2,614
		2011	23,150	23,150
IDEA-B: ARRA	84.391	2010	9,205	9,204
		2011	156,800	156,800
Total Special Education Cluster			703,806	703,805
<i>Education Technology State Grants Cluster</i>				
Title II-D	84.318	2011	2,387	2,387
Title II-D: ARRA	84.386	2011	225,504	225,504
Total Education Technology State Grants Cluster			227,891	227,891
Title II-A	84.367	2010	11,401	14,555
		2011	152,267	152,267
Total Title II-A			163,668	166,822
State Fiscal Stabilization Fund: ARRA	84.394	2011	890,634	890,634
Education Jobs Fund	84.410	2011	602,892	602,892
Total U.S. Department of Education			3,330,063	3,331,618
<b>U. S. Department of Agriculture</b>				
(Passed Through Ohio Department of Education):				
<i>Child Nutrition Cluster</i>				
Non-Cash Assistance:				
National School Lunch Program	10.555	2011	9,540	9,540
Cash Assistance:				
School Breakfast Program	10.553	2011	96,380	96,380
National School Lunch Program	10.555	2011	331,392	331,392
Cash Assistance Subtotal			427,772	427,772
Total Child Nutrition Cluster			437,312	437,312
Total U.S. Department of Agriculture			437,312	437,312
Total Federal Assistance			\$ 3,767,375	\$ 3,768,930

See accompanying notes to the schedule of expenditures of federal awards

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT  
CARROLL COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2011

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: CHILD NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2011, the District had no significant food commodities inventory.

CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT  
CARROLL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS) which are not considered to be material?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster  State Fiscal Stabilization Fund Education Technology State Grants Cluster  Education Jobs Fund	CFDA # 84.027, 84.173 & 84.391 (ARRA) CFDA# 84.394 (ARRA) CFDA#84.318 & 84.386 (ARRA) CFDA#84.410
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**NONE**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**NONE**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

December 23, 2011

To the Board of Education  
Carrollton Exempted Village School District  
Carrollton, Ohio 44615

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Carrollton Exempted Village School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 6/8/2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*



# Dave Yost • Auditor of State

**CARROLLTON EXEMPTED VILLAGE SCHOOL DISTRICT**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 15, 2012**