



**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Lowellville Local School District
Mahoning County
21 E. Walnut Street
Lowellville, Ohio 44436

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Lowellville Local School District, Mahoning County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 general-purpose 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 opinion.

For the fiscal year ended June 30, 1999, we were unable to obtain sufficient evidential matter supporting the amounts reported as fixed assets in the General Fixed Asset Account Group and the proprietary fund types, and the related depreciation expense in the proprietary fund types.

In our opinion, except for the effects of such adjustments if any as might have been determined to be necessary had fixed asset and depreciation amounts been susceptible to satisfactory audit tests, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Lowellville Local School District, Mahoning County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

February 9, 2001

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**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Assets and Other Debits					
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,213,885	\$27,470	\$5,345	\$57,353	\$28,266
Receivables:					
Taxes	1,064,549				
Accounts	7,209				
Intergovernmental					915
Inventory Held for Resale					1,991
Materials and Supplies Inventory					44
Restricted Assets:					
Cash and Cash Equivalents	132,475				
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					10,751
Other Debits					
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds					
Amount to be Provided from General Government Resources					
Total Assets and Other Debits	<u><u>\$2,418,118</u></u>	<u><u>\$27,470</u></u>	<u><u>\$5,345</u></u>	<u><u>\$57,353</u></u>	<u><u>\$41,967</u></u>

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
	\$27,767		\$1,360,086
			1,064,549
			7,209
			915
			1,991
			44
			132,475
	1,469,521		1,480,272
		5,345	5,345
		253,884	253,884
	<u>\$27,767</u>	<u>\$259,229</u>	<u>\$4,306,770</u>
	<u>\$1,469,521</u>		

LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)
JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
Liabilities, Fund Equity and Other Credits					
Liabilities					
Accounts Payable	\$7,881				
Accrued Wages and Benefits	239,378	19,084			2,692
Compensated Absences Payable					3,314
Intergovernmental Payable	62,415	10,954			4,625
Deferred Revenue	1,064,549				1,900
Due to Students					
Energy Conservation Bonds					
<i>Total Liabilities</i>	<u>1,374,223</u>	<u>30,038</u>			<u>12,531</u>
Fund Equity and Other Credits					
Investment in General Fixed Assets					
Retained Earnings:					
Unreserved					29,436
Fund Balance:					
Reserved for Textbooks	37,034				
Reserved for Capital Improvements	44,368				
Reserved for Budget Stabilization	22,184				
Reserved for Bus Purchase	28,889				
Unreserved, Undesignated (Deficit)	911,420	(2,568)	5,345	57,353	
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>1,043,895</u>	<u>(2,568)</u>	<u>5,345</u>	<u>57,353</u>	<u>29,436</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$2,418,118</u>	<u>\$27,470</u>	<u>\$5,345</u>	<u>\$57,353</u>	<u>\$41,967</u>

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			\$7,881
			261,154
		157,818	161,132
		31,411	109,405
			1,066,449
27,767			27,767
		70,000	70,000
27,767		259,229	1,703,788
	1,469,521		1,469,521
			29,436
			37,034
			44,368
			22,184
			28,889
			971,550
	1,469,521		2,602,982
<u>\$27,767</u>	<u>\$1,469,521</u>	<u>\$259,229</u>	<u>\$4,306,770</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues					
Taxes	\$884,786		\$117,789		\$1,002,575
Intergovernmental	2,183,764	183,217		60,602	2,427,583
Interest	31,749				31,749
Tuition and Fees	2,850				2,850
Rentals		20,950			20,950
Extracurricular Activities		84,911			84,911
Miscellaneous	32,594				32,594
<i>Total Revenues</i>	<u>3,135,743</u>	<u>289,078</u>	<u>117,789</u>	<u>60,602</u>	<u>3,603,212</u>
Expenditures					
Current:					
Instruction:					
Regular	1,533,095	9,223			1,542,318
Special	88,303	182,045			270,348
Support Services:					
Pupils	75,428				75,428
Instructional Staff	68,665				68,665
Board of Education	9,031				9,031
Administration	293,172	42,219			335,391
Fiscal	125,867				125,867
Operation and Maintenance of Plant	412,106				412,106
Pupil Transportation	123,193	6,039			129,232
Central	14,924	2,000			16,924
Extracurricular Activities	97,785	70,972			168,757
Capital Outlay	136,807			157,765	294,572
Debt Service:					
Principal Retirement			105,000		105,000
Interest and Fiscal Charges			7,444		7,444
<i>Total Expenditures</i>	<u>2,978,376</u>	<u>312,498</u>	<u>112,444</u>	<u>157,765</u>	<u>3,561,083</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	157,367	(23,420)	5,345	(97,163)	42,129
<i>Fund Balances Beginning of Year</i>	<u>886,528</u>	<u>20,852</u>		<u>154,516</u>	<u>1,061,896</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,043,895</u>	<u>(\$2,568)</u>	<u>\$5,345</u>	<u>\$57,353</u>	<u>\$1,104,025</u>

See accompanying notes to the general purpose financial statements

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LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes		\$922,575	\$922,575
Intergovernmental	2,925,767	2,183,764	(742,003)
Interest		31,749	31,749
Tuition and Fees		2,850	2,850
Rentals			
Extracurricular Activities			
Miscellaneous	119,969	32,594	(87,375)
<i>Total Revenues</i>	<u>3,045,736</u>	<u>3,173,532</u>	<u>127,796</u>
Expenditures			
Current:			
Instruction:			
Regular	2,219,741	1,531,384	688,357
Special	86,469	76,412	10,057
Support Services:			
Pupils	89,398	72,422	16,976
Instructional Staff	63,467	64,937	(1,470)
Board of Education	31,961	9,065	22,896
Administration	393,390	293,178	100,212
Fiscal	354,589	126,605	227,984
Operation and Maintenance of Plant	627,980	438,405	189,575
Pupil Transportation	195,787	122,021	73,766
Central	14,924	14,924	
Extracurricular Activities	98,739	100,301	(1,562)
Capital Outlay	83,419	136,807	(53,388)
Debt Service:			
Principal Retirement		35,000	(35,000)
Interest and Fiscal Charges		2,789	(2,789)
<i>Total Expenditures</i>	<u>4,259,864</u>	<u>3,024,250</u>	<u>1,235,614</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,214,128)	149,282	1,363,410
<i>Fund Balances Beginning of Year</i>	1,047,500	1,047,500	
Prior Year Encumbrances Appropriated	78,393	78,393	
<i>Fund Balances (Deficits) End of Year</i>	<u>(\$88,235)</u>	<u>\$1,275,175</u>	<u>\$1,363,410</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
232,856	183,217	(49,639)	\$80,000	\$80,000	
103,100	20,950 90,531	20,950 (12,569)			
<u>335,956</u>	<u>294,698</u>	<u>(41,258)</u>	<u>80,000</u>	<u>80,000</u>	
11,080	9,223	1,857			
221,672	157,691	63,981			
2,800		2,800			
61,792	43,443	18,349			
2,000	6,060	(6,060)			
98,833	2,000 70,972	27,861			
			70,000	70,000	
			10,000	4,655	5,345
<u>398,177</u>	<u>289,389</u>	<u>108,788</u>	<u>80,000</u>	<u>74,655</u>	<u>5,345</u>
(62,221)	5,309	67,530		5,345	5,345
22,162	22,162				
<u>(\$40,059)</u>	<u>\$27,471</u>	<u>\$67,530</u>		<u>\$5,345</u>	<u>\$5,345</u>

(Continued)

LOWEVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGES (NON-GAAP BASES) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes				\$80,000	\$1,002,575	\$922,575
Intergovernmental	60,602	60,602		3,219,225	2,427,583	(791,642)
Interest					31,749	31,749
Tuition and Fees					2,850	2,850
Rentals					20,950	20,950
Extracurricular Activities				103,100	90,531	(12,569)
Miscellaneous				119,969	32,594	(87,375)
Total Revenues	<u>60,602</u>	<u>60,602</u>		<u>3,522,294</u>	<u>3,608,832</u>	<u>86,538</u>
Expenditures						
Current:						
Instruction:						
Regular				2,230,821	1,540,607	690,214
Special				308,141	234,103	74,038
Support Services:						
Pupils				89,398	72,422	16,976
Instructional Staff				66,267	64,937	1,330
Board of Education				31,961	9,065	22,896
Administration				455,182	336,621	118,561
Fiscal				354,589	126,605	227,984
Operation and Maintenance of Plant				627,980	438,405	189,575
Pupil Transportation				195,787	128,081	67,706
Central				16,924	16,924	
Extracurricular Activities				197,572	171,273	26,299
Capital Outlay	257,129	162,132	94,997	340,548	298,939	41,609
Debt Service:						
Principal Retirement				70,000	105,000	(35,000)
Interest and Fiscal Charges				10,000	7,444	2,556
Total Expenditures	<u>257,129</u>	<u>162,132</u>	<u>94,997</u>	<u>4,995,170</u>	<u>3,550,426</u>	<u>1,444,744</u>
Excess of Revenues Over (Under) Expenditures	(196,527)	(101,530)	94,997	(1,472,876)	58,406	1,531,282
Fund Balances Beginning of Year	143,971	143,971		1,213,633	1,213,633	
Prior Year Encumbrances Appropriated	7,456	7,456		85,849	85,849	
Fund Balances (Deficits) End of Year	<u>(\$45,100)</u>	<u>\$49,897</u>	<u>\$94,997</u>	<u>(\$173,394)</u>	<u>\$1,357,888</u>	<u>\$1,531,282</u>

See accompanying notes to the general purpose financial statements

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
Operating Revenues	
Sales	\$79,175
Operating Expenses	
Salaries	76,881
Purchased Services	581
Materials and Supplies	11,828
Cost of Sales	64,627
Other Operating Expenses	1,113
<i>Total Operating Expenses</i>	155,030
<i>Operating Loss</i>	(75,855)
Non-Operating Revenues	
Federal Donated Commodities	14,718
Operating Grants	59,225
<i>Total Non-Operating Revenues</i>	73,943
<i>Net Loss</i>	(1,912)
<i>Retained Earnings Beginning of Year</i>	31,348
<i>Retained Earnings End of Year</i>	\$29,436

See accompanying notes to the general purpose financial statements

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	121,000	137,485	16,485
Expenses			
Salaries	102,393	81,574	20,819
Purchased Services	769	613	156
Materials and Supplies	80,727	61,729	18,998
Other	1,397	1,113	284
<i>Total Expenses</i>	185,286	145,029	40,257
<i>Excess of Revenues Under Expenses</i>	(64,286)	(7,544)	56,742
<i>Retained Earnings Beginning of Year</i>	31,710	31,710	
Prior Year Encumbrances Appropriated	4,100	4,100	
<i>Retained Earnings End of Year</i>	(\$28,476)	\$28,266	\$56,742

See accompanying notes to the general purpose financial statements

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$79,175
Cash Payments to Suppliers for Goods and Services	(62,342)
Cash Payments to Employees for Services	(81,574)
Other Operating Expenses	(1,113)
	(65,854)
<i>Net Cash Used for Operating Activities</i>	(65,854)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	58,310
	58,310
<i>Net Decrease in Cash and Cash Equivalents</i>	(7,544)
<i>Cash and Cash Equivalents Beginning of Year</i>	35,810
	35,810
<i>Cash and Cash Equivalents End of Year</i>	\$28,266
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
<i>Operating Loss</i>	(\$75,855)
Adjustments:	
Donated Commodities Used During Year	14,718
(Increase) Decrease in Assets:	
Materials and Supplies Inventory	8
Increase (Decrease) in Liabilities:	
Accounts Payable	(32)
Accrued Wages and Benefits	(616)
Compensated Absences Payable	(438)
Intergovernmental Payable	(3,639)
	10,001
<i>Total Adjustments</i>	10,001
<i>Net Cash Used for Operating Activities</i>	(\$65,854)

See accompanying notes to the general purpose financial statements

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**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Lowellville Local School District was established in 1920 through the consolidation of existing land areas and school districts. Lowellville Local School District (the "School District") is organized under Article VI, Sections 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 and/or federal agencies.

The School District serves an area of approximately 14 square miles. It is located in Mahoning County, and includes the Village of Lowellville. It is staffed by 23 non-certificated employees and 45 certificated full-time teaching personnel who provide services to 660 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Lowellville Local 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 the 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 two jointly governed organizations, an insurance purchasing pool and a shared risk pool. These organizations are the Area Cooperative Computerized Educational Service System, the Mahoning County Career and Technical Center, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Mahoning County Employee Insurance Consortium. These organizations are presented in Notes 15 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lowellville Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for rate determination.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations Upon receipt from the County Auditor, an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements. All investments of the School District had a maturity of two years or less. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$31,749, which includes \$3,110 assigned from other School District funds.

For the purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents.

E. Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Title VI-B

Title I

Title VI

Drug-Free Schools

Disadvantaged Pupils Program

Disadvantaged Pupil Impact Aid

Teacher Development

Excellence in Education

SchoolNet Professional Development

Textbooks/Instructional Materials Subsidy

Miscellaneous State Grants

Capital Projects Fund

SchoolNet

Technology Equity

Emergency School Building Repair

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately sixty-seven percent of the governmental fund operating revenue during the 1999 fiscal year.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for capital improvements, and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

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. The School District records a liability for accumulated unused vacation time when earned for all employees.

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 employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified, certified and administrative employees after ten years of service with the School District.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after 20 years of current service with the School District, or after 15 years of service and at least 45 years of age, or after 10 years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources.

For governmental funds, these amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Bonds are reported as a liability of the general long-term obligations account group until due.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under Ohio law, a debt service must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for textbooks, capital improvements, budget stabilization and bus purchase.

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

L. 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.

M. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. FUND DEFICITS AND COMPLIANCE

A. Fund Deficits

At June 30, 1999, the Disadvantaged Pupil Impact and Aid and Title I special revenue funds had deficit balances of \$7,812 and \$21,542, respectively, which were created by the application of generally accepted accounting principles. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

3. FUND DEFICITS AND COMPLIANCE - (Continued)

	Appropriation	Expenditures	Amount
<i>General Fund:</i>			
Support Services:			
Instructional Staff	\$61,630	\$63,100	(\$1,470)
Extracurricular Activities:			
Sports Oriented Activities	81,145	89,553	(8,408)
Capital Outlay:			
Site Improvement Services	44,368	48,231	(3,863)
Architecture and Engineering Services	0	9,750	(9,750)
Building Improvement Services	39,051	78,826	(39,775)
Debt Service:			
Principal Retirement	0	35,000	(35,000)
Interest and Fiscal Charges	0	2,789	(2,789)
<i>Special Revenue Funds:</i>			
Athletics Fund:			
Support Services -Pupil Transportation	0	869	(869)
Extracurricular Activities - Academic and	0	626	(626)
Title VI-B:			
Support Services - Pupil Transportation	0	5,191	(5,191)

Contrary to Section 5705.39, Ohio Revised Code, the following funds had appropriations in excess of estimated revenues plus carry over balances at June 30, 1999:

	Estimated Revenues Plus Carryover Balances	Appropriations	Excess
General Fund	\$4,248,186	\$4,336,420	(\$88,234)
Special Revenue Funds:			
Public School Support	30,456	54,456	(24,000)
Athletics Fund	83,832	98,833	(15,001)
Professional Development Grant	3,011	3,745	(734)
Title I	172,713	173,126	(413)
Drug Free Schools	2,555	2,565	(10)
Capital Projects Fund:			
Emergency Building Repair	126,477	176,477	(50,000)
Enterprise Fund:			
Food Service	152,042	182,042	(30,000)

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues Over (Under) Expenditures All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$157,367	(\$23,420)	\$5,345	(\$97,163)
Revenue Accruals	(4,392)	10,012	0	0
Revenue Adjustment for Debt Retirement	37,789	0	(37,789)	0
Expenditure Accruals	(3,693)	18,717	0	(4,367)
Principal Retirement	(35,000)	0	35,000	0
Interest and Fiscal Charges	(2,789)	0	2,789	0
Budget Basis	\$149,282	\$5,309	\$5,345	(\$101,530)

Net Loss/Excess of Revenues Under Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$1,912)
Revenue Accruals	(915)
Expense Accruals	(4,717)
Budget Basis	(\$7,544)

**LOWELLVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

5. DEPOSITS AND INVESTMENTS

State statutes classify 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 deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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 eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

5. DEPOSITS AND INVESTMENTS

8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classification 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments, Repurchase Agreements and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$21,286) and the bank balance was \$1,553,846. \$40,000 of the bank balance is covered by federal depository insurance and \$1,513,846 is uncollateralized and uninsured. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments: GASB Statement 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name.

	Carrying Value	Fair Value
Repurchase Agreement	\$1,513,847	\$1,513,847

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,492,561	\$0
Investments:		
Repurchase Agreement	(1,513,847)	1,513,847
GASB Statement 3	(\$21,286)	\$1,513,847

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

6. 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 located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 Second Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	16,604,150	64.90%	16,991,933	64.90%
Public Utility	6,872,990	26.86	7,033,506	26.86
Tangible Personal Property	2,107,540	8.24	2,156,761	8.24
Total Assessed Value	25,584,680	100.00%	26,182,200	100.00%
Tax rate per \$1,000 of assessed valuation	\$55.90		\$55.90	

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 earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

6. PROPERTY TAXES- (Continued)

The School District receives property taxes from Mahoning 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

7. RECEIVABLES

Receivables at June 30, 1999, consisted of property, accounts (rent, billings for user charged services, and student fees), 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.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Food Service Enterprise Fund	
State School Lunch Program	\$915

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Fixed Assets	\$32,935
Less Accumulated Depreciation	(22,184)
Net Fixed Assets	\$10,751

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 06/30/98	Additions	Deletions	Balance at 06/30/99
Land and	\$25,769	\$0	\$0	\$25,769
Buildings	418,895	0	0	418,895
Furniture and	339,693	0	0	339,693
Vehicles	103,957	0	0	103,957
Construction in	581,207	0	0	581,207
Totals	\$1,469,521	\$0	\$0	\$1,469,521

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

9. 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 1999, the School District contracted with Indiana Insurance Company to provide the following coverage:

Type of Coverage	Deductible	Coverage
Building and Contents - Replacement Cost	\$1,000	\$16,015,915
Inland Marine Coverage	250	687,761
Boiler and Machinery	1,000	30,000,000
Crime Insurance	1,000	250,000
Automobile Liability	250	2,000,000
Uninsured Motorists	250	1,000,000
General Liability		
Per occurrence	0	2,000,000
Total per year	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

10. DEFINED BENEFIT PENSION PLANS - (Continued)

The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$50,017, \$54,823 and \$56,304, respectively; 59.84 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$20,088 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$110,650, \$200,544 and \$195,432, respectively; 80.0 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$22,125 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$147,534 for fiscal year 1999.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

2. POSTEMPLOYMENT BENEFITS

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$40,923.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. *Compensated Absences*

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. 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 up to a maximum of 185 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 46 days, depending on length of service.

B. *Life Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life Insurance.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

12. POSTEMPLOYMENT BENEFITS

C. Health Insurance

The School District has contracted with the Mahoning County Employee Insurance Consortium to provide employee medical/surgical benefits. The Mahoning County Employee Insurance Consortium is a shared risk pool comprised of 13 member school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made to all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlement of all expenses and claims. The School District pay medical/surgical premiums of \$523.19 for family coverage and \$213.36 for single coverage per employee per month for the traditional plan and \$774.08 for family coverage per employee per month for the HMO plan.

Dental and prescription drug insurance are also provided through the Mahoning County Employee Insurance Consortium. Premiums for dental coverage are \$46.79 for both family and single coverage per month for both the traditional and HMO plans. Monthly premiums for prescription drug insurance are \$157.73 for family coverage and \$69.21 for single coverage per employee per month for the traditional plan and it is included in the medical/surgical premium for the HMO plan.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 6/30/98	Additions	Deductions	Balance at 6/30/99
Energy Conservation Bond	\$175,000	\$0	\$105,000	\$70,000
Intergovernmental Payable	25,046	31,411	25,046	31,411
Compensated Absences	95,874	61,944	0	157,818
Total General Long-Term Obligations	\$295,920	\$93,355	\$130,046	\$259,229

Energy Conservation Loan - On July 16, 1997, the Lowellville Local School District issued \$350,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a five year period with a final maturity during fiscal year 2001. The bond will be retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$2,291,743 with an unvoted debt margin of \$26,182 at June 30, 1999.

Principal and interest requirements to retire general obligation notes outstanding at June 30, 1999 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$35,000	\$18,060	\$53,060
2001	35,000	16,254	51,254
Total	\$70,000	\$34,314	\$104,314

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Lowellville Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$78,878	\$297	\$79,175
Operating Gain (Loss)	(76,152)	297	(75,855)
Donated Commodities	14,718	0	14,718
Operating Grants	59,225	0	59,225
Net Income (Loss)	(\$2,209)	\$297	(\$1,912)
Net Working Capital	19,245	4,065	23,310
Total Assets	37,902	4,065	41,967
Total Equity	25,371	4,065	29,436

15. JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System - The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based on a per pupil charge. Lowellville Local School District contributed \$5,349 to ACCESS during fiscal year 1999. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507.

Mahoning County Career and Technical Center - The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts. During fiscal year 1999 no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

16. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 1999.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

17. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,086,296 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

18. SET ASIDES

The Lowellville Local 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 School District is also required to set aside money for budget stabilization.

The School District also receives monies from the State of Ohio which are restricted by state law for the purchase of school buses. This amount is shown as a reserve for bus purchases. The balance of this allocation at year-end is also reflected as a reservation of fund balance in the General Fund.

The following cash basis information describes the changes in the amounts set aside for textbooks and instructional materials, capital improvements and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvement	Budget Reserve	Total
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$0	
Current year set-aside requirement	37,034	44,368	22,184	
Qualifying expenditures	0	0	0	
Totals	<u>\$37,034</u>	<u>\$44,368</u>	<u>\$22,184</u>	
Cash Balance Carried Forward to FY 1999	<u>\$37,034</u>	<u>\$44,368</u>	<u>\$22,184</u>	\$103,586
Amount restricted for bus purchases				28,889
Total Restricted Assets				<u>\$132,475</u>

19. PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan- The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduces premium for the School District by virtue of its grouping and representation with the other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of GRP. A participant will then either receive money from of be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co provides administrative, cost control and actuarial services to the GRP.

LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

19. PUBLIC ENTITY RISK POOLS - (Continued)

Mahoning County Employee Insurance Consortium- The School District participates in the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The plan was organized to provide life insurance, health care, and other benefits to the employees of its member organizations. Each month, the participating school districts pay a premium to cover the costs of administering the program.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE
AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Lowellville Local School District
Mahoning County
21 E. Walnut Street
Lowellville, Ohio 44436

To the Board of Education:

We have audited the financial statements of Lowellville Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 9, 2001, which was qualified with regards to the District's fixed assets and related depreciation expense, due to insufficient accounting records. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lowellville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-11150-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of Lowellville Local School District in a separate letter dated February 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Lowellville Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-11150-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and ,accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider reportable condition 1999-1150-002 to be a material weakness. We also noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of Lowellville Local School District in a separate letter dated February 9, 2001.

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

Jim Petro
Auditor of State

February 9, 2001

**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
June 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-11150-001

Noncompliance Citation

Ohio Revised Code §5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid and the amount was and is available.

- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education.

Twenty two percent of the transactions tested did not contain prior certification by the Treasurer. These transactions were certified after the fact but did not utilize the then and now certificate. These commitments were not subsequently approved by the Board of Education within the aforementioned 30-day period. We recommend, where possible, the District certify the availability of funds prior to expenditures being made. Where prior certification is not feasible, we encourage the District to utilize then and now certificates or blanket certificates.

FINDING NUMBER 1999-11150-002

Material Weakness

The District has not maintained documentation to support changes in fixed assets that should have been added or deleted to the General Fixed Asset Account Group and the Proprietary Fund.

The District had an inventory of all fixed assets completed in November, 1998. However, since that time, the District has not maintained detailed fixed asset records reflecting its additions, deletions, depreciation and construction-in-progress.

We recommend that the District develop written policies and procedures to provide for the periodic reporting (at least annually) of acquisitions, disposals, and depreciation of the District's property, plant and equipment. These policies and procedures should also provide for a periodic physical inventory (e.g. annually or biennially) and reconciliation to the master fixed asset listing.



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LOWELLVILLE LOCAL SCHOOL DISTRICT

MAHONING 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 27, 2001**