



**Auditor of State  
Betty Montgomery**



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Balance Sheet – All Fund Types and Account Groups – June 30, 2003 .....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types – for the Fiscal Year Ended June 30, 2003.....	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types – for the Fiscal Year Ended June 30, 2003.....	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/(Accumulated Deficit) – Proprietary Fund Type - for the Fiscal Year Ended June 30, 2003 .....	8
Combined Statement of Cash Flows–Proprietary Fund Type-for the Fiscal Year Ended June 30, 2003.....	9
Combined Balance Sheet – All Fund Types and Account Groups – June 30, 2002 .....	10
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types – for the Fiscal Year Ended June 30, 2002.....	12
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types – for the Fiscal Year Ended June 30, 2002.....	13
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/(Accumulated Deficit) – Proprietary Fund Type - for the Fiscal Year Ended June 30, 2002 .....	15
Combined Statement of Cash Flows–Proprietary Fund Type-for the Fiscal Year Ended June 30, 2002...	16
Notes to General Purpose Financial Statements.....	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	58
Schedule of Findings – June 30, 2003 and 2002 .....	60
Schedule of Prior Audit Findings .....	63

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Lowellville Local School District  
Mahoning County  
52 Rocket Place  
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 years ended June 30, 2003 and 2002. 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.

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 opinion.

For the years ended June 30, 2003 and 2002, we were unable to obtain sufficient evidential matter supporting the amounts reported as fixed assets in the General Fixed Asset Account Group (100% of assets) and the proprietary fund types (37% and 49% of assets, respectively).

For the years ended June 30, 2003 and 2002, we were unable to obtain sufficient evidential matter supporting the financial activities of the Student Activities, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Student Activities represent 100% of the reported Agency Fund Type assets and liabilities.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had fixed assets and student activities been susceptible to satisfactory audit procedures, 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, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund types for the years 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 November 2, 2005, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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 you should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 2, 2005

GENERAL PURPOSE  
FINANCIAL  
STATEMENTS

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,068,950	\$ 320,130	\$ 56,181	\$ 716,099
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	1,002,049	14,004	142,988	-
Accounts receivable . . . . .	239	-	-	-
Accrued interest . . . . .	1,007	-	-	-
Due from other governments . . . . .	6,000	25,628	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Advances to other funds . . . . .	38,798	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	78,246	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b><u>\$ 2,195,289</u></b>	<b><u>\$ 359,762</u></b>	<b><u>\$ 199,169</u></b>	<b><u>\$ 716,099</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 44,023	\$ 10,499	\$ -	\$ -
Contracts payable . . . . .	-	-	-	381,184
Accrued wages and benefits . . . . .	389,252	-	-	-
Compensated absences payable . . . . .	10,029	-	-	-
Advances from other funds . . . . .	-	38,798	-	-
Pension obligation payable . . . . .	47,042	2,450	-	-
Deferred revenue . . . . .	1,002,049	14,004	142,988	-
Due to other governments . . . . .	14,545	722	-	-
Due to students . . . . .	-	-	-	-
General obligation bonds payable . . . . .	-	-	-	-
Capital lease obligation payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b><u>1,506,940</u></b>	<b><u>66,473</u></b>	<b><u>142,988</u></b>	<b><u>381,184</u></b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings: unreserved . . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	66,705	12,952	-	116,070
Reserved for advances . . . . .	38,798	-	-	-
Reserved for textbooks . . . . .	25,177	-	-	-
Reserved for school bus purchases . . . . .	30,885	-	-	-
Reserved for BWC refunds . . . . .	22,184	-	-	-
Reserved for debt service . . . . .	-	-	56,181	-
Unreserved-undesignated . . . . .	504,600	280,337	-	218,845
<b>Total equity and other credits . . . . .</b>	<b><u>688,349</u></b>	<b><u>293,289</u></b>	<b><u>56,181</u></b>	<b><u>334,915</u></b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b><u>\$ 2,195,289</u></b>	<b><u>\$ 359,762</u></b>	<b><u>\$ 199,169</u></b>	<b><u>\$ 716,099</u></b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 3,480	\$ 28,219	\$ -	\$ -	\$ 2,193,059
-	-	-	-	1,159,041
-	-	-	-	239
-	-	-	-	1,007
12,855	-	-	-	44,483
2,849	-	-	-	2,849
-	-	-	-	38,798
-	-	-	-	78,246
11,108	-	15,119,844	-	15,130,952
-	-	-	56,181	56,181
-	-	-	2,339,104	2,339,104
<u>\$ 30,292</u>	<u>\$ 28,219</u>	<u>\$ 15,119,844</u>	<u>\$ 2,395,285</u>	<u>\$ 21,043,959</u>
\$ -	\$ -	\$ -	\$ -	\$ 54,522
-	-	-	-	381,184
4,866	-	-	-	394,118
5,272	-	-	182,030	197,331
-	-	-	-	38,798
10,011	-	-	25,156	84,659
-	-	-	-	1,159,041
351	-	-	-	15,618
-	28,219	-	-	28,219
-	-	-	2,045,000	2,045,000
-	-	-	143,099	143,099
<u>20,500</u>	<u>28,219</u>	<u>-</u>	<u>2,395,285</u>	<u>4,541,589</u>
-	-	15,119,844	-	15,119,844
9,792	-	-	-	9,792
-	-	-	-	195,727
-	-	-	-	38,798
-	-	-	-	25,177
-	-	-	-	30,885
-	-	-	-	22,184
-	-	-	-	56,181
-	-	-	-	1,003,782
<u>9,792</u>	<u>-</u>	<u>15,119,844</u>	<u>-</u>	<u>16,502,370</u>
<u>\$ 30,292</u>	<u>\$ 28,219</u>	<u>\$ 15,119,844</u>	<u>\$ 2,395,285</u>	<u>\$ 21,043,959</u>

**This page intentionally left blank.**

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 929,363	\$ 13,059	\$ 133,206	\$ -	\$ 1,075,628
Tuition . . . . .	847,629	-	-	-	847,629
Earnings on investments . . . . .	31,825	1,973	-	46,271	80,069
Extracurricular . . . . .	-	93,292	-	-	93,292
Other local revenues . . . . .	17,780	13,545	-	1,575	32,900
Intergovernmental - State . . . . .	2,056,905	104,156	14,287	1,125,117	3,300,465
Intergovernmental - Federal . . . . .	-	184,060	-	-	184,060
	<u>3,883,502</u>	<u>410,085</u>	<u>147,493</u>	<u>1,172,963</u>	<u>5,614,043</u>
<b>Total revenue.</b>					
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,931,129	70,340	-	-	2,001,469
Special . . . . .	227,511	135,778	-	-	363,289
Vocational . . . . .	2,305	-	-	-	2,305
Other . . . . .	-	1,480	-	-	1,480
Support services:					
Pupil . . . . .	92,078	31,343	-	-	123,421
Instructional staff . . . . .	110,570	5,348	-	-	115,918
Board of Education . . . . .	26,439	-	-	-	26,439
Administration . . . . .	398,450	41,547	-	-	439,997
Fiscal . . . . .	130,520	7,655	2,291	-	140,466
Operations and maintenance . . . . .	371,518	9,045	-	21,509	402,072
Pupil transportation . . . . .	151,351	9,469	-	274,108	434,928
Central . . . . .	10,132	-	-	13,506	23,638
Extracurricular activities . . . . .	131,845	86,425	-	-	218,270
Facilities acquisition and construction . . . . .	-	-	-	6,816,420	6,816,420
Capital outlay . . . . .	145,566	-	-	-	145,566
Debt service:					
Principal retirement . . . . .	2,467	-	30,000	-	32,467
Interest and fiscal charges . . . . .	515	-	182,906	-	183,421
	<u>3,732,396</u>	<u>398,430</u>	<u>215,197</u>	<u>7,125,543</u>	<u>11,471,566</u>
<b>Total expenditures</b>					
Excess (deficiency) of revenues over (under) expenditures . . . . .	151,106	11,655	(67,704)	(5,952,580)	(5,857,523)
<b>Other financing sources (uses):</b>					
Operating transfers in . . . . .	-	202,500	-	458,679	661,179
Operating transfers out . . . . .	(686,179)	-	-	-	(686,179)
Sale of fixed assets . . . . .	32,762	-	-	-	32,762
Proceeds of capital lease transaction . . . . .	145,566	-	-	-	145,566
	<u>(507,851)</u>	<u>202,500</u>	<u>-</u>	<u>458,679</u>	<u>153,328</u>
<b>Total other financing sources (uses)</b>					
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	(356,745)	214,155	(67,704)	(5,493,901)	(5,704,195)
Fund balances, July 1 . . . . .	1,045,094	79,134	123,885	5,828,816	7,076,929
Fund balances, June 30 . . . . .	\$ 688,349	\$ 293,289	\$ 56,181	\$ 334,915	\$ 1,372,734

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes . . . . .	\$ 906,130	\$ 929,363	\$ 23,233	\$ 9,055	\$ 13,059	\$ 4,004
Tuition . . . . .	826,439	847,629	21,190	-	-	-
Earnings on investments . . . . .	30,048	30,818	770	1,368	1,973	605
Extracurricular . . . . .	-	-	-	64,687	93,292	28,605
Other local revenues . . . . .	17,102	17,541	439	9,392	13,545	4,153
Intergovernmental - State . . . . .	2,005,485	2,056,905	51,420	72,220	104,156	31,936
Intergovernmental - Federal . . . . .	-	-	-	155,147	223,754	68,607
Total revenues . . . . .	<u>3,785,204</u>	<u>3,882,256</u>	<u>97,052</u>	<u>311,869</u>	<u>449,779</u>	<u>137,910</u>
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	2,087,637	1,903,563	184,074	73,778	70,076	3,702
Special . . . . .	241,772	235,835	5,937	156,918	171,974	(15,056)
Vocational . . . . .	3,000	2,305	695	-	-	-
Other . . . . .	5,000	-	5,000	1,480	1,480	-
Support services:						
Pupil . . . . .	123,528	102,411	21,117	32,799	31,599	1,200
Instructional staff . . . . .	132,177	120,371	11,806	5,323	5,323	-
Board of Education . . . . .	47,145	26,419	20,726	-	-	-
Administration . . . . .	482,639	387,435	95,204	43,968	41,702	2,266
Fiscal . . . . .	171,921	130,147	41,774	8,653	7,634	1,019
Operations and maintenance . . . . .	522,684	371,961	150,723	9,500	9,045	455
Pupil transportation . . . . .	238,702	210,143	28,559	9,615	9,615	-
Central . . . . .	25,791	10,276	15,515	-	2,657	(2,657)
Extracurricular activities . . . . .	147,700	132,027	15,673	85,400	86,431	(1,031)
Facilities acquisition and construction . . . . .	-	-	-	-	-	-
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>4,229,696</u>	<u>3,632,893</u>	<u>596,803</u>	<u>427,434</u>	<u>437,536</u>	<u>(10,102)</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(444,492)</u>	<u>249,363</u>	<u>693,855</u>	<u>(115,565)</u>	<u>12,243</u>	<u>127,808</u>
Other financing sources (uses):						
Operating transfers in . . . . .	97,500	100,000	2,500	140,410	202,500	62,090
Operating transfers out . . . . .	(760,000)	(786,179)	(26,179)	-	-	-
Sale of assets . . . . .	26,093	26,762	669	-	-	-
Total other financing sources (uses) . . . . .	<u>(636,407)</u>	<u>(659,417)</u>	<u>(23,010)</u>	<u>140,410</u>	<u>202,500</u>	<u>62,090</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(1,080,899)</u>	<u>(410,054)</u>	<u>670,845</u>	<u>24,845</u>	<u>214,743</u>	<u>189,898</u>
Fund balances, July 1 . . . . .	1,445,920	1,445,920	-	80,833	80,833	-
Prior year encumbrances appropriated . . . . .	718	718	-	1,316	1,316	-
Fund balances, June 30 . . . . .	<u>\$ 365,739</u>	<u>\$ 1,036,584</u>	<u>\$ 670,845</u>	<u>\$ 106,994</u>	<u>\$ 296,892</u>	<u>\$ 189,898</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 133,205	\$ 133,205	\$ -	\$ -	\$ -	\$ -	\$ 1,048,390	\$ 1,075,627	\$ 27,237
-	-	-	-	-	-	826,439	847,629	21,190
-	-	-	33,264	46,271	13,007	64,680	79,062	14,382
-	-	-	-	-	-	64,687	93,292	28,605
-	-	-	1,132	1,575	443	27,626	32,661	5,035
14,288	14,288	-	808,830	1,125,117	316,287	2,900,823	3,300,466	399,643
-	-	-	-	-	-	155,147	223,754	68,607
<u>147,493</u>	<u>147,493</u>	<u>-</u>	<u>843,226</u>	<u>1,172,963</u>	<u>329,737</u>	<u>5,087,792</u>	<u>5,652,491</u>	<u>564,699</u>
-	-	-	-	-	-	2,161,415	1,973,639	187,776
-	-	-	-	-	-	398,690	407,809	(9,119)
-	-	-	-	-	-	3,000	2,305	695
-	-	-	-	-	-	6,480	1,480	5,000
-	-	-	-	-	-	156,327	134,010	22,317
-	-	-	-	-	-	137,500	125,694	11,806
-	-	-	-	-	-	47,145	26,419	20,726
-	-	-	-	-	-	526,607	429,137	97,470
2,854	2,291	563	-	-	-	183,428	140,072	43,356
-	-	-	21,753	21,509	244	553,937	402,515	151,422
-	-	-	300,000	274,109	25,891	548,317	493,867	54,450
-	-	-	27,300	24,706	2,594	53,091	37,639	15,452
-	-	-	-	-	-	233,100	218,458	14,642
-	-	-	7,386,435	7,371,041	15,394	7,386,435	7,371,041	15,394
25,760	30,000	(4,240)	-	-	-	25,760	30,000	(4,240)
158,240	182,906	(24,666)	-	-	-	158,240	182,906	(24,666)
<u>186,854</u>	<u>215,197</u>	<u>(28,343)</u>	<u>7,735,488</u>	<u>7,691,365</u>	<u>44,123</u>	<u>12,579,472</u>	<u>11,976,991</u>	<u>602,481</u>
<u>(39,361)</u>	<u>(67,704)</u>	<u>(28,343)</u>	<u>(6,892,262)</u>	<u>(6,518,402)</u>	<u>373,860</u>	<u>(7,491,680)</u>	<u>(6,324,500)</u>	<u>1,167,180</u>
-	-	-	329,737	458,679	128,942	567,647	761,179	193,532
-	-	-	-	-	-	(760,000)	(786,179)	(26,179)
-	-	-	-	-	-	26,093	26,762	669
-	-	-	<u>329,737</u>	<u>458,679</u>	<u>128,942</u>	<u>(166,260)</u>	<u>1,762</u>	<u>168,022</u>
(39,361)	(67,704)	(28,343)	(6,562,525)	(6,059,723)	502,802	(7,657,940)	(6,322,738)	1,335,202
123,885	123,885	-	6,598,293	6,598,293	-	8,248,931	8,248,931	-
-	-	-	61,459	61,459	-	63,493	63,493	-
<u>\$ 84,524</u>	<u>\$ 56,181</u>	<u>\$ (28,343)</u>	<u>\$ 97,227</u>	<u>\$ 600,029</u>	<u>\$ 502,802</u>	<u>\$ 654,484</u>	<u>\$ 1,989,686</u>	<u>\$ 1,335,202</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services . . . . .	\$ 106,850
Total operating revenues . . . . .	106,850
Operating expenses:	
Personal services . . . . .	89,308
Contract services . . . . .	967
Materials and supplies . . . . .	103,995
Depreciation . . . . .	51
Other . . . . .	146
Total operating expenses . . . . .	194,467
Operating loss . . . . .	(87,617)
Nonoperating revenues:	
Grants and subsidies . . . . .	53,844
Federal commodities . . . . .	19,009
Total nonoperating revenues . . . . .	72,853
Net loss before operating transfers . . . . .	(14,764)
Operating transfers in . . . . .	25,000
Accumulated deficit, July 1 . . . . .	(444)
Retained earnings, June 30 . . . . .	\$ 9,792

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges . . . . .	\$ 106,850
Cash payments for personal services . . . . .	(86,391)
Cash payments for contract services . . . . .	(967)
Cash payments for materials and supplies. . . . .	(85,733)
Cash payments for other expenses. . . . .	(146)
	(66,387)
Net cash used in operating activities. . . . .	
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	48,805
Cash payments to other funds. . . . .	(5,549)
Cash received from operating transfers. . . . .	25,000
	68,256
Net cash provided by noncapital financing activities. . . . .	
Net increase in cash and cash equivalents . . . . .	1,869
Cash and cash equivalents at beginning of year . . . . .	1,611
Cash and cash equivalents at end of year . . . . .	\$ 3,480
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss . . . . .	\$ (87,617)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation. . . . .	51
Federal donated commodities. . . . .	19,009
Changes in assets and liabilities:	
Increase in materials and supplies inventory. . . . .	(747)
Decrease in due to other governments. . . . .	(54)
Increase in accrued wages and benefits . . . . .	192
Increase in compensated absences payable . . . . .	2,568
Increase in pension obligation payable . . . . .	211
	211
Net cash used in operating activities. . . . .	\$ (66,387)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,285,237	\$ 135,133	\$ 123,885	\$ 6,659,752
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	992,753	11,876	125,247	-
Due from other funds . . . . .	58,533			
Due from other governments . . . . .	-	68,925	-	-
Materials and supplies inventory . . . . .	-	-	-	-
Advances to other funds . . . . .	38,798	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	102,868	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b>\$ 2,478,189</b>	<b>\$ 215,934</b>	<b>\$ 249,132</b>	<b>\$ 6,659,752</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 5,684	\$ -	\$ -	\$ 11,200
Contracts payable . . . . .	-	-	-	819,736
Accrued wages and benefits . . . . .	356,890	24,557	-	-
Compensated absences payable . . . . .	7,696	-	-	-
Advances from other funds . . . . .	-	38,798	-	-
Pension obligation payable . . . . .	53,480	3,018	-	-
Deferred revenue . . . . .	992,753	15,478	125,247	-
Due to other funds . . . . .	-	52,984	-	-
Due to other governments . . . . .	16,592	1,965	-	-
Due to students . . . . .	-	-	-	-
General obligation bonds payable . . . . .	-	-	-	-
Energy conservation bonds payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b>1,433,095</b>	<b>136,800</b>	<b>125,247</b>	<b>830,936</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Retained earnings: unreserved . . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	-	1,316	-	50,683
Reserved for advances . . . . .	38,798	-	-	-
Reserved for textbooks . . . . .	49,969	-	-	-
Reserved for school bus purchases . . . . .	30,715	-	-	-
Reserved for BWC refunds . . . . .	22,184	-	-	-
Reserved for debt service . . . . .	-	-	123,885	-
Unreserved-undesignated . . . . .	903,428	77,818	-	5,778,133
<b>Total equity and other credits . . . . .</b>	<b>1,045,094</b>	<b>79,134</b>	<b>123,885</b>	<b>5,828,816</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$ 2,478,189</b>	<b>\$ 215,934</b>	<b>\$ 249,132</b>	<b>\$ 6,659,752</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 1,611	\$ 31,392	\$ -	\$ -	\$ 8,237,010
-	-	-	-	1,129,876
7,816	-	-	-	58,533
2,102	-	-	-	76,741
-	-	-	-	2,102
-	-	-	-	38,798
-	-	-	-	102,868
11,159	-	8,024,471	-	8,035,630
-	-	-	123,885	123,885
-	-	-	2,212,138	2,212,138
<u>\$ 22,688</u>	<u>\$ 31,392</u>	<u>\$ 8,024,471</u>	<u>\$ 2,336,023</u>	<u>\$ 20,017,581</u>
\$ -	\$ -	\$ -	\$ -	\$ 16,884
-	-	-	-	819,736
4,674	-	-	-	386,121
2,704	-	-	170,157	180,557
-	-	-	-	38,798
9,800	-	-	20,866	87,164
-	-	-	-	1,133,478
5,549	-	-	-	58,533
405	-	-	-	18,962
-	31,392	-	-	31,392
-	-	-	2,075,000	2,075,000
-	-	-	70,000	70,000
<u>23,132</u>	<u>31,392</u>	<u>-</u>	<u>2,336,023</u>	<u>4,916,625</u>
-	-	8,024,471	-	8,024,471
(444)	-	-	-	(444)
-	-	-	-	51,999
-	-	-	-	38,798
-	-	-	-	49,969
-	-	-	-	30,715
-	-	-	-	22,184
-	-	-	-	123,885
-	-	-	-	6,759,379
<u>(444)</u>	<u>-</u>	<u>8,024,471</u>	<u>-</u>	<u>15,100,956</u>
<u>\$ 22,688</u>	<u>\$ 31,392</u>	<u>\$ 8,024,471</u>	<u>\$ 2,336,023</u>	<u>\$ 20,017,581</u>

**This page intentionally left blank.**

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 929,006	\$ 13,752	\$ 132,506	\$ -	\$ 1,075,264
Earnings on investments . . . . .	63,349	-	-	173,503	236,852
Extracurricular . . . . .	-	75,168	-	-	75,168
Other local revenues . . . . .	7,736	13,334	-	20,108	41,178
Other revenue . . . . .	-	-	-	18,240	18,240
Intergovernmental - State . . . . .	2,704,737	77,408	13,814	7,103,756	9,899,715
Intergovernmental - Federal . . . . .	-	297,252	-	-	297,252
<b>Total revenue.</b> . . . . .	<u>3,704,828</u>	<u>476,914</u>	<u>146,320</u>	<u>7,315,607</u>	<u>11,643,669</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,737,043	37,366	-	-	1,774,409
Special . . . . .	97,200	189,845	-	-	287,045
Other . . . . .	-	963	-	146	1,109
Support services:					
Pupil . . . . .	58,850	69,805	-	-	128,655
Instructional staff . . . . .	102,863	11,072	-	-	113,935
Board of Education . . . . .	12,006	-	-	-	12,006
Administration . . . . .	358,288	45,232	-	-	403,520
Fiscal . . . . .	279,488	3,155	2,482	-	285,125
Operations and maintenance . . . . .	342,160	2,887	-	95,226	440,273
Pupil transportation . . . . .	124,603	21,401	-	3,595	149,599
Central . . . . .	14,831	567	-	-	15,398
Extracurricular activities . . . . .	104,205	62,642	-	-	166,847
Facilities acquisition and construction . . . . .	-	-	-	7,152,608	7,152,608
Debt service:					
Principal retirement . . . . .	-	-	51,000	-	51,000
Interest and fiscal charges . . . . .	-	-	116,408	-	116,408
<b>Total expenditures</b> . . . . .	<u>3,231,537</u>	<u>444,935</u>	<u>169,890</u>	<u>7,251,575</u>	<u>11,097,937</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	473,291	31,979	(23,570)	64,032	545,732
Fund balances, July 1 . . . . .	571,803	47,155	147,455	5,764,784	6,531,197
Fund balances, June 30 . . . . .	<u>\$ 1,045,094</u>	<u>\$ 79,134</u>	<u>\$ 123,885</u>	<u>\$ 5,828,816</u>	<u>\$ 7,076,929</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 892,709	\$ 929,006	\$ 36,297	\$ 7,815	\$ 13,752	\$ 5,937
Earnings on investments . . . . .	60,874	63,349	2,475	0	-	-
Extracurricular . . . . .	-	-	-	42,719	75,169	32,450
Other local revenues . . . . .	7,434	7,736	302	7,578	13,334	5,756
Intergovernmental - State . . . . .	2,584,342	2,704,737	120,395	44,812	77,408	32,596
Intergovernmental - Federal . . . . .	-	-	-	131,743	231,818	100,075
Total revenues . . . . .	<u>3,545,359</u>	<u>3,704,828</u>	<u>159,469</u>	<u>234,667</u>	<u>411,481</u>	<u>176,814</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	1,875,907	1,780,526	95,381	93,102	42,404	50,698
Special . . . . .	78,009	97,197	(19,188)	140,696	187,227	(46,531)
Other . . . . .	-	-	-	-	968	(968)
Support services:						
Pupil . . . . .	80,052	57,004	23,048	60,213	70,914	(10,701)
Instructional staff . . . . .	79,970	98,880	(18,910)	14,356	11,275	3,081
Board of Education . . . . .	17,328	12,097	5,231	-	-	-
Administration . . . . .	414,109	381,204	32,905	91,209	45,396	45,813
Fiscal . . . . .	236,388	276,219	(39,831)	1,750	3,137	(1,387)
Operations and maintenance . . . . .	349,924	347,321	2,603	5	2,887	(2,882)
Pupil transportation . . . . .	134,835	118,335	16,500	9,007	21,544	(12,537)
Central . . . . .	33,920	16,398	17,522	175	566	(391)
Extracurricular activities . . . . .	102,339	104,007	(1,668)	18,930	62,864	(43,934)
Facilities acquisition and construction . . . . .	-	-	-	-	-	-
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>3,402,781</u>	<u>3,289,188</u>	<u>113,593</u>	<u>429,443</u>	<u>449,182</u>	<u>(19,739)</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>142,578</u>	<u>415,640</u>	<u>273,062</u>	<u>(194,776)</u>	<u>(37,701)</u>	<u>157,075</u>
Other financing sources (uses):						
Refund of prior year expenditure . . . . .	<u>97,264</u>	<u>101,219</u>	<u>3,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>97,264</u>	<u>101,219</u>	<u>3,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>239,842</u>	<u>516,859</u>	<u>277,017</u>	<u>(194,776)</u>	<u>(37,701)</u>	<u>157,075</u>
Fund balances, July 1 . . . . .	885,588	885,588	-	113,528	113,528	-
Prior year encumbrances appropriated . . . . .	<u>43,473</u>	<u>43,473</u>	<u>-</u>	<u>5,006</u>	<u>5,006</u>	<u>-</u>
Fund balances, June 30 . . . . .	<u>\$ 1,168,903</u>	<u>\$ 1,445,920</u>	<u>\$ 277,017</u>	<u>\$ (76,242)</u>	<u>\$ 80,833</u>	<u>\$ 157,075</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 127,122	\$ 132,506	\$ 5,384	\$ -	\$ -	\$ -	\$ 1,027,646	\$ 1,075,264	\$ 47,618
-	-	-	-	-	-	60,874	63,349	2,475
-	-	-	155,146	160,649	5,503	197,865	235,818	37,953
-	-	-	16,418	20,533	4,115	31,430	41,603	10,173
25,970	13,814	(12,156)	6,870,331	7,121,995	251,664	9,525,455	9,917,954	392,499
-	-	-	-	-	-	131,743	231,818	100,075
<u>153,092</u>	<u>146,320</u>	<u>(6,772)</u>	<u>7,041,895</u>	<u>7,303,177</u>	<u>261,282</u>	<u>10,975,013</u>	<u>11,565,806</u>	<u>590,793</u>
-	-	-	-	-	-	1,969,009	1,822,930	146,079
-	-	-	-	-	-	218,705	284,424	(65,719)
-	-	-	-	145	(145)	-	1,113	(1,113)
-	-	-	-	-	-	140,265	127,918	12,347
-	-	-	-	-	-	94,326	110,155	(15,829)
-	-	-	-	-	-	17,328	12,097	5,231
-	-	-	-	-	-	505,318	426,600	78,718
-	2,482	(2,482)	-	-	-	238,138	281,838	(43,700)
-	-	-	294,752	95,226	199,526	644,681	445,434	199,247
-	-	-	-	3,595	(3,595)	143,842	143,474	368
-	-	-	193	-	193	34,288	16,964	17,324
-	-	-	-	-	-	121,269	166,871	(45,602)
-	-	-	12,523,064	6,374,880	6,148,184	12,523,064	6,374,880	6,148,184
51,000	51,000	-	-	-	-	51,000	51,000	-
149,612	116,408	33,204	-	-	-	149,612	116,408	33,204
<u>200,612</u>	<u>169,890</u>	<u>30,722</u>	<u>12,818,009</u>	<u>6,473,846</u>	<u>6,344,163</u>	<u>16,850,845</u>	<u>10,382,106</u>	<u>6,468,739</u>
<u>(47,520)</u>	<u>(23,570)</u>	<u>23,950</u>	<u>(5,776,114)</u>	<u>829,331</u>	<u>6,605,445</u>	<u>(5,875,832)</u>	<u>1,183,700</u>	<u>7,059,532</u>
-	-	-	18,107	18,749	642	115,371	119,968	4,597
-	-	-	18,107	18,749	642	115,371	119,968	4,597
(47,520)	(23,570)	23,950	(5,758,007)	848,080	6,606,087	(5,760,461)	1,303,668	7,064,129
147,455	147,455	-	5,657,134	5,657,134	-	6,803,705	6,803,705	-
-	-	-	93,079	93,079	-	141,558	141,558	-
<u>\$ 99,935</u>	<u>\$ 123,885</u>	<u>\$ 23,950</u>	<u>\$ (7,794)</u>	<u>\$ 6,598,293</u>	<u>\$ 6,606,087</u>	<u>\$ 1,184,802</u>	<u>\$ 8,248,931</u>	<u>\$ 7,064,129</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS/ACCUMULATED DEFICIT  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees . . . . .	\$ 175
Sales/charges for services . . . . .	92,176
Total operating revenues . . . . .	92,351
Operating expenses:	
Personal services . . . . .	80,820
Contract services . . . . .	404
Materials and supplies . . . . .	96,504
Depreciation . . . . .	51
Other . . . . .	16
Total operating expenses . . . . .	177,795
Operating loss . . . . .	(85,444)
Nonoperating revenues (expenses):	
Operating grants . . . . .	45,957
Federal commodities . . . . .	23,614
Total nonoperating revenues . . . . .	69,571
Net loss . . . . .	(15,873)
Retained earnings, July 1 . . . . .	15,429
Accumulated deficit, June 30 . . . . .	\$ (444)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees. . . . .	\$ 175
Cash received from sales/service charges. . . . .	92,176
Cash payments for personal services . . . . .	(78,600)
Cash payments for contract services . . . . .	(404)
Cash payments for materials and supplies. . . . .	(74,511)
Cash payments for other expenses. . . . .	(16)
	(61,180)
Net cash used in operating activities. . . . .	
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	38,698
Cash received from other funds . . . . .	5,549
	44,247
Net cash provided by noncapital financing activities . . . . .	
Net decrease in cash and cash equivalents . . . . .	(16,933)
Cash and cash equivalents at beginning of year . . . . .	18,544
Cash and cash equivalents at end of year . . . . .	\$ 1,611
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss. . . . .	\$ (85,444)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	51
Federal donated commodities . . . . .	23,614
Changes in assets and liabilities:	
Decrease in materials and supplies inventory. . . . .	2,226
Increase in due to other governments. . . . .	405
Increase in accrued wages and benefits . . . . .	1,694
Decrease in compensated absences payable . . . . .	(2,516)
Increase in pension obligation payable. . . . .	2,637
Decrease in deferred revenue. . . . .	(3,847)
	(61,180)
Net cash used in operating activities. . . . .	\$ (61,180)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**This page intentionally left blank.**



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Lowellville Local School District (the "District") was established in 1920 through the consolidation of existing land areas and school districts. The District is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by state and/or federal agencies.

The District serves an area of approximately 14 square miles. It is located in Mahoning County, and includes the Village of Lowellville. The District is the 590<sup>th</sup> largest in the State of Ohio (among the 705 public and community school districts in the state) in terms of enrollment. It is staffed by 20 non-certificated employees and 41 certificated full-time teaching personnel who provide services to 635 students and other community members. The District currently operates 2 instructional buildings.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the 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 District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial 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 District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments

ACCESS Council of Governments (COG) 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 the administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge. COG is governed by designees of the member school districts. The assembly exercises total control of the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*PUBLIC ENTITY RISK POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of 14 Mahoning County 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 assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*GOVERNMENTAL FUND TYPES*

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

General Fund - The general fund is the general operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures 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 debt principal, interest, and related costs.

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

*PROPRIETARY FUND TYPE*

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*FIDUCIARY FUND TYPE*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. At June 30, 2003 and 2002, the agency fund had no items, which, in other fund types, would be subject to accrual.

*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 general nature, the following account groups are used.

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

*General Long-Term Obligations Account Group* - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus/Basis of Accounting**

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

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003 and 2002, and which are intended to finance fiscal years 2004 and 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District reports deferred revenue 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. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal years 2003 and 2002 is as follows:

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal years 2003 and 2002.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at object level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations 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.
5. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter appropriations within functions, must be approved by the Board of Education.



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003 and 2002.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. There were no encumbrances outstanding for the enterprise funds at fiscal year-end.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During the fiscal years 2003 and 2002, the District's investments were limited to the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit. Investments in STAR Ohio are reported at fair value. Investments in nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003 and June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal years 2003 and 2002 amounted to \$31,825 and \$63,349 respectively, which includes \$9,960 and \$32,888 assigned from other District funds.

For 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 original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5 - 20

**H. Intergovernmental Revenues**

In governmental funds, entitlements, reimbursable and non-reimbursable grants (to the extent eligibility requirements have been met by year-end) are recorded as receivables and revenue when measurable and available. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Title I

Drug-Free Schools

Teacher Development

Title VI-B

Title VI

Safe-School Help Line

Disadvantaged Pupils Program

Excellence in Foundation

Eisenhower Grant

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Ohio Reads  
Summer School Subsidy  
Class Size Reduction  
SchoolNet Professional Development  
Textbook/Instructional Materials Subsidy  
Miscellaneous State Grants

Capital Projects Funds

SchoolNet  
Technology Equity  
Emergency School Building Repair  
Classroom Facilities Construction

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 62 percent of the District's operating revenue during the 2003 fiscal year and 88 percent of the District's operating revenue during the 2002 fiscal year.

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with 20 years of current service with the District, all employees age 45 with at least 15 years of service, and all employees age 50 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, advances, textbooks, school bus purchases, Bureau of Worker's Compensation (BWC) refunds, and debt service. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable".
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable available resources.

See Note 5 for an analysis of interfund transactions.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

**N. Estimates**

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Noncompliance**

Fund balances at June 30, 2003 include the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
EMIS	\$32
Ohio Reads	37
Title VI	24

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

Fund balances at June 30, 2002 include the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
EMIS	\$188
Title VI-B	172
Title I	6,621
Title VI	2,161
Drug-Free School Grant	193
Class Size Reduction	46
<u>Enterprise Fund</u>	
Food Service	2,055

In fiscal year 2002, the Title VI-B, Title I, Title VI, Drug Free School Grant and Class Size Reduction special revenue funds and the Food Service enterprise fund did not comply with Ohio Revised Code Section 5705.10, which does not permit a cash-basis deficit at year-end. A fund liability has been recorded on a GAAP-basis for the amount of the negative cash balances (see Note 5.C.).

The following funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

In fiscal year 2003, the deficit fund balances in the EMIS, Ohio Reads and Title VI special revenue funds was caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. In fiscal year 2002, the deficit fund balance in the EMIS special revenue fund was caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

Contrary to Ohio law (Ohio Revised Code Section 5705.36 (A)(4)), estimated receipts were in excess of actual receipts in one fund.

Contrary to Ohio law (Ohio Revised Code Section 5705.41 B), expenditures exceeded appropriations in several funds at June 30, 2003 and June 30, 2002.



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the 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 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 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 invested or 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 or interest by the United States;

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 4 - EQUITY IN POOLED CASH 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments 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 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.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At years ending June 30, 2003 and 2002, the carrying amount of the District's deposits were \$2,271,305 and \$6,210,629 respectively and the bank balance was \$2,369,749 and \$6,237,071 respectively. Of the bank balance:

1. \$100,000 and \$147,351 was covered by federal depository insurance respectively; and
2. \$2,269,749 at 2003 fiscal year-end and \$6,089,720 at 2002 fiscal year-end was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had investments of \$2,129,249 in STAR Ohio at June 30, 2002. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

<u>2003:</u>	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	<u>\$ 2,271,305</u>	
GASB Statement No. 3	<u>\$ 2,271,305</u>	
 <u>2002:</u>		
GASB Statement No. 9	\$ 8,339,878	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(2,129,249)</u>	<u>2,129,249</u>
GASB Statement No. 3	<u>\$ 6,210,629</u>	<u>\$2,129,249</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2003:

<u>2003:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$686,179
<u>Special Revenue Funds</u>		
Classroom Facilities Maintenance	50,000	- - -
Termination Benefits	150,000	- - -
District Managed Student Activities	2,500	- - -
<u>Capital Projects Funds</u>		
Permanent Improvement	100,000	- - -
Classroom Facilities	358,679	- - -
<u>Enterprise Fund</u>		
Food Service	<u>25,000</u>	<u>- - -</u>
Total	<u>\$686,179</u>	<u>\$686,179</u>

There were no operating transfers for fiscal year 2002.

- B. Interfund balances at June 30, 2003 and June 2002, consist of the following long-term advances:

General Fund	\$38,798	\$ -
<u>Special Revenue Funds</u>		
Title I	<u>-</u>	<u>38,798</u>
Total	<u>\$38,798</u>	<u>\$38,798</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

C. Amounts "due to" and "due from" other funds to cover negative cash balances at June 30, 2002, consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$58,533	\$ - - -
<u>Special Revenue Funds</u>		
Title VI-B	- - -	18,712
Title I	- - -	18,500
Title VI	- - -	8,727
Class Size Reduction	- - -	3,443
Miscellaneous Federal Grants	- - -	3,602
<u>Enterprise Fund</u>		
Food Service	- - -	5,549
Totals	<u>\$58,533</u>	<u>\$58,533</u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 and 2001 taxes were collected was \$29,818,430 and \$29,282,550 respectively. Agricultural/Residential and public utility/minerals real estate represented 64.99% and 65.61% or \$19,378,050 and \$19,212,670 respectively of this total; Commercial & Industrial real estate represented 7.68% and 7.55% or \$2,290,390 and \$2,210,020, of this total respectively, public utility tangible represented 19.45% and 19.59% or \$5,800,320 and \$5,735,900 respectively, of this total and general tangible property represented 7.88% and 7.25% respectively or \$2,349,670 and \$2,123,960 respectively of this total. The voted general tax rate at the fiscal years ended June 30, 2003 and 2002 was \$55.90 per \$1,000.00 of assessed valuation for operations and \$5.10 per \$1,000 of assessed valuation for debt service.

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.

The District receives property taxes from Mahoning County. The County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivables represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2003 and June 20, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no property tax advances available to the District at June 30, 2003 and June 30, 2002.

**NOTE 7 - RECEIVABLES**

Receivables at years ended June 30, 2003 and 2002, consisted of taxes, accounts, accrued interest, intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end) and amounts due from other funds. Intergovernmental receivables have been recorded as "Due From Other Governments" on the combined balance sheet. 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.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 7 – RECEIVABLES – (Continued)**

A summary of the principal items of receivables follows:

<u>2003:</u>	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,002,049
Due from other governments	6,000
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	14,004
Due from other governments	25,628
<u>Debt Service Fund</u>	
Taxes - current and delinquent	142,988
<u>Enterprise Funds</u>	
Due from other governments	12,855
 <u>2002:</u>	
<u>General Fund</u>	
Taxes - current and delinquent	\$ 992,753
Due from other funds	58,533
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	11,876
Due from other governments	68,925
<u>Debt Service Fund</u>	
Taxes - current and delinquent	125,247
<u>Enterprise Funds</u>	
Due from other governments	7,816



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal years ending June 30, 2003 and 2002 are as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
Land and improvements	\$ 137,169	\$110,715	\$ - - -	\$ 247,884
Buildings and improvements	436,607	14,163,468	(393,330)	14,206,745
Furniture and equipment	534,946	240,847	(267,473)	508,320
Vehicles	156,895	- - -	- - -	156,895
Construction in progress	<u>6,758,854</u>	<u>7,610,610</u>	<u>(14,369,464)</u>	<u>- - -</u>
Total	<u>\$8,024,471</u>	<u>\$22,125,640</u>	<u>\$(15,030,267)</u>	<u>\$15,119,844</u>
	<u>Balance</u> <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2002</u>
Land and improvements	\$ 129,379	\$ 7,790	\$ - - -	\$ 137,169
Buildings and improvements	436,607	- - -	- - -	436,607
Furniture and equipment	522,191	12,755	- - -	534,946
Vehicles	156,895	- - -	- - -	156,895
Construction in progress	<u>787,898</u>	<u>5,970,956</u>	<u>- - -</u>	<u>6,758,854</u>
Total	<u>\$2,032,970</u>	<u>\$5,991,501</u>	<u>\$ - - -</u>	<u>\$8,024,471</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 8 - FIXED ASSETS - (Continued)**

A summary of the proprietary fixed assets at June 30, 2003 and 2002 follows:

	<u>Balance</u> <u>June 30, 2003</u>	<u>Balance</u> <u>June 30, 2002</u>
Furniture and equipment	\$ 33,445	\$ 33,445
Less: accumulated depreciation	<u>(22,337)</u>	<u>(22,286)</u>
Net fixed assets	<u>\$ 11,108</u>	<u>\$ 11,159</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2001, the District issued \$2,126,000 in general obligation bonds to provide funds for the construction of a new building for the elementary, middle and high school (hereafter "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 5.1 mill bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2002, the total estimated cost of the Construction Project is \$13,285,081, of which OSFC will pay \$11,159,081.

Interest payments on the general obligation bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2022.

In conjunction with the 5.1 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the capital projects funds.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** On July 16, 1997, the District issued \$350,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the 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.
- C.** The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds and the energy conservation bonds:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 40,000	\$ 111,230	\$ 151,230
2005	40,000	109,400	149,400
2006	45,000	107,434	152,434
2007	55,000	105,095	160,095
2008	60,000	102,378	162,378
2009 - 2013	385,000	460,792	845,792
2014 - 2028	595,000	319,294	914,294
2019 - 2023	<u>825,000</u>	<u>117,777</u>	<u>942,777</u>
 Total	 <u>\$2,045,000</u>	 <u>\$1,433,400</u>	 <u>\$3,478,400</u>

- D.** During the fiscal years ended June 30, 2003 and 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Energy conservation bonds	\$ 70,000	\$ ---	\$ (70,000)	\$ ---
General obligation bonds	2,075,000	---	(30,000)	2,045,000
Compensated absences	170,157	11,873	---	182,030
Pension obligation payable	20,866	25,156	(20,866)	25,156
Capital lease obligation	<u>---</u>	<u>145,566</u>	<u>(2,467)</u>	<u>143,099</u>
 Total	 <u>\$2,336,023</u>	 <u>\$182,595</u>	 <u>\$(123,333)</u>	 <u>\$2,395,285</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Energy conservation bonds	\$ 70,000	\$ ---	\$ ---	\$ 70,000
General obligation bonds	2,126,000	---	(51,000)	2,075,000
Compensated absences	169,433	724	---	170,157
Pension obligation payable	<u>25,448</u>	<u>20,866</u>	<u>(25,448)</u>	<u>20,866</u>
 Total	 <u>\$2,390,881</u>	 <u>\$21,590</u>	 <u>\$(76,448)</u>	 <u>\$2,336,023</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 and 2002 are a voted debt margin of \$694,840 and \$684,436 respectively (including available funds of \$56,181 and \$124,006, respectively) and an unvoted debt margin of \$29,818 and \$29,283, respectively.

**NOTE 10 - CAPITAL LEASE**

During fiscal year 2003, the District entered into two capitalized leases with Dollar Leasing Corp. These leases met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined GPFS for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment has been capitalized in the general fixed assets account group in the amount of \$145,566. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments of \$2,467 were made during fiscal year 2003 from the general fund.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 10 - CAPITAL LEASE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 48,398
2005	48,398
2006	48,398
2007	5,964
2008	2,982
Total	154,140
Less: amount representing interest	(11,041)
Present value of minimum lease payments	\$143,099

**NOTE 11 - 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-five 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 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Life Insurance**

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

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The 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 years 2003 and 2002, the District contracted with Indiana Insurance Company to provide the following coverage:

2003:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - Replacement Cost	\$1,000	\$6,941,390
Inland Marine Coverage	250	122,452
Boiler and Machinery	1,000	6,648,504
Crime Insurance	1,000	250,000
Automobile Liability	250	1,000,000
Uninsured Motorists	250	1,000,000
General Liability		
Per occurrence	0	2,000,000
Total per year	0	5,000,000

There has not been a significant reduction in coverage from the prior year.

2002:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - Replacement Cost	\$1,000	\$6,941,390
Inland Marine Coverage	250	122,452
Boiler and Machinery	1,000	6,648,504
Crime Insurance	1,000	250,000
Automobile Liability	250	1,000,000
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.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Employee Group Health Insurance**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims and payments are made for all participating districts and claims are paid for all participants regardless of claims flow. Any claim exceeding \$135,000 is covered by the District's stop-loss carrier.

The District pays 100% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. The District pays 90% of prescription and dental premiums. Unum provides the life insurance coverage.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). 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 Ohio School Boards Association. 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 the costs of administering the program.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 12 - RISK MANAGEMENT - (Continued)**

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's 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 will then either receive money from or 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.

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the fiscal years ended June 30, 2003 and 2002.

<u>2003:</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 106,850	\$ - - -	\$ 106,850
Operating expenses before depreciation	194,416	- - -	194,416
Depreciation	51	- - -	51
Operating loss	(87,617)	- - -	(87,617)
Operating grants	53,844	- - -	53,844
Net income	10,236	- - -	10,236
Net working capital	6,440	1,611	8,051
Total assets	28,681	1,611	30,292
Total liabilities	20,500	- - -	20,500
Total equity	8,181	1,611	9,792



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)**

<u>2002:</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$92,176	\$ 175	\$ 92,351
Operating expenses before depreciation	175,302	2,442	177,744
Depreciation	51	---	51
Operating (loss)	(83,177)	(2,267)	(85,444)
Operating grants	45,957	---	45,957
Net (loss)	(13,606)	(2,267)	(15,873)
Net working capital	(5,720)	1,611	(4,109)
Total assets	21,077	1,611	22,688
Total liabilities	23,132	---	23,132
Total equity	(2,055)	1,611	(444)

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-853.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. For fiscal year 2002 5.46% of annual covered salary was the portion 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. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$59,371, \$55,232, and \$63,168, respectively; 39.61% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$35,856 represents the unpaid contribution for fiscal year 2003.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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 times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$277,748, \$259,901, and \$246,821, respectively; 85.78% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$39,512 represents the unpaid contribution for fiscal year 2003.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose social security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$19,839 and \$83,540 during fiscal years 2003 and 2002, respectively.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$33,339 and \$41,886 during the fiscal years 2003 and 2002, respectively.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an accounts payable (GAAP basis).

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over/(Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>2003:</u>				
Budget basis	\$(410,054)	\$214,743	\$(67,704)	\$(6,059,723)
Net adjustment for revenue accruals	1,246	(39,694)	---	---
Net adjustment for expenditure accruals	(210,115)	15,868	---	565,822
Net adjustment for other financing sources (uses)	151,566	---	---	---
Encumbrances (budget basis)	<u>110,612</u>	<u>23,238</u>	<u>---</u>	<u>---</u>
GAAP basis	<u>\$(356,745)</u>	<u>\$214,155</u>	<u>\$(67,704)</u>	<u>\$(5,493,901)</u>

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>2002:</u>				
Budget basis	\$ 516,859	\$ (37,701)	\$(23,570)	\$848,080
Net adjustment for revenue accruals	---	65,433	---	12,430
Net adjustment for expenditure accruals	56,933	2,931	---	(839,188)
Net adjustment for other financing sources (uses)	(101,219)	---	---	(18,749)
Encumbrances (budget basis)	<u>718</u>	<u>1,316</u>	<u>---</u>	<u>61,459</u>
GAAP basis	<u>\$ 473,291</u>	<u>\$31,979</u>	<u>\$(23,570)</u>	<u>\$64,032</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003 and June 30, 2002.

**B. Litigation**

The District is not currently a party to any legal proceedings.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 17 - CONTINGENCIES - (Continued)**

**C. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**NOTE 18 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal years ended June 30, 2003 and 2002, the reserve activity was as follows:

<u>2003:</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$49,969	\$ (6,249,791)	\$ 22,184
Current year set-aside requirement	82,753	82,753	---
Qualifying disbursements	<u>(107,545)</u>	<u>(7,288,674)</u>	<u>---</u>
Total	<u>\$25,177</u>	<u>\$(13,455,712)</u>	<u>\$ 22,184</u>
Cash balance carried forward to FY 2004	<u>\$25,177</u>	<u>\$(13,455,712)</u>	<u>\$ 22,184</u>
<u>2002:</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2001	\$ (16,678)	\$ ---	\$22,184
Current year set-aside requirement	74,406	74,406	---
Qualifying disbursements	<u>(7,759)</u>	<u>(6,324,197)</u>	<u>---</u>
Total	<u>\$ 49,969</u>	<u>\$(6,249,791)</u>	<u>\$22,184</u>
Cash balance carried forward to FY 2003	<u>\$ 49,969</u>	<u>\$(6,249,791)</u>	<u>\$22,184</u>



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

**NOTE 18 - STATUTORY RESERVES - (Continued)**

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

The 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.

A schedule of the restricted assets at June 30, 2003 and 2002 follows:

2003:

Amount restricted for school bus purchases	\$30,885
Amount restricted for textbooks	25,177
Amount restrict for BWC refunds	<u>22,184</u>
Total restricted assets	<u>\$78,246</u>

2002:

Amount restricted for school bus purchases	\$ 30,715
Amount restrict for BWC refunds	22,184
Amount restricted for textbooks	<u>49,969</u>
Total restricted assets	<u>\$102,868</u>

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Lowellville Local School District  
Mahoning County  
52 Rocket Place  
Lowellville, Ohio 44436

To the Board of Education:

We have audited the financial statements of Lowellville Local School District, Mahoning County (the District) as of and for the years ended June 30, 2003 and 2002 and have issued our report thereon dated November 2, 2005, which was qualified with regards to the District's fixed assets and student activities due to insufficient evidential matter available to support these areas. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2003-001 and 2003-002 listed above to be material weaknesses. In a separate letter to the District's management dated November 2, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-003 and 2003-004. In a separate letter to the District's management dated November 2, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 2, 2005

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2003-001**

**Material Weakness – Fixed Assets**

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. More specifically, all local public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number.

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 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.

**FINDING NUMBER 2003-002**

**Material Weakness – Student Activities**

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The District had not maintained documentation to support the financial activities of the Student Activities in the Agency Fund for the years ended June 30, 2003 and 2002.

**FINDING NUMBER 2003-002  
(Continued)**

During our review of student activities we noted the following deficiencies:

- A. The top portion of the Sales Project Potential forms either were not filled out or were partially completed but had not been approved. The top portion of the form has the following information: the organization name, the proposed sales project, the company and company address that the goods will be purchased from, a contact name, the quantity to be ordered, the cost per unit, the proposed sale price per unit, and the advisor's signature along with the Principal's and Superintendent's signature which indicates their approval. Information that was completed was the organization name, the proposed sales project, and the company and the company address. The bottom portion of the Sales Project Potential forms includes the following information to be completed: number of items purchased, price paid, total cost of items purchased, less returns, total amount to be accounted for, the total deposited with Treasurer, any quantity unaccounted for, and signatures of the Advisors, Principals, and the Superintendent. None of this information had been completed or approved for any of the proposed fund raisers;
- B. There was no evidence that independent checks were done by the Superintendent or the Building Principals on the work of the Student Activities Advisors or the Student Activities Coordinator.

To address the aforementioned deficiencies, we recommend the District stipulate that each student activity group advisor complete the required forms. Cash proofs should be filled out by the advisors and turned into the Treasurer's office every time money is remitted. Budgets should be completed and turned in prior to beginning fund raisers. The top portion of the Sales Project Potential should be finished before the fund raiser begins; and the bottom portion should be filled out after the fund raiser is completed and money is received.

In addition, advisors should be trained as to the purpose of each form and the importance of including the required information. Each of these forms should then be reviewed and approved by the Board, Treasurer and Superintendent as an independent check that the information is complete and reasonable. Advisors should ensure that all pertinent documents relative to a particular fund raiser are retained, such as approved price listings, documented sales incentive award program policies, spoilage, etc. Advisors should be informed of their responsibilities and training should be provided, if needed. The District should refer to the Auditor of State's document, *Guidelines for Developing Policies for Student Activity Programs*.

**FINDING NUMBER 2003-003**

**Material Citation**

Ohio Revised Code Section § 5705.36(A)(4) provides in part that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in the current official certificate, the fiscal officer shall certify the amount of the deficiency to the county budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency. The intent of this statutory requirement is to require a subdivision to certify receipt amounts based on realistic projection of receipts and to require the fiscal officer to obtain a "reduction" certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur.

**FINDING NUMBER 2003-003  
 (Continued)**

The District's actual receipts were less than estimated receipts in the following fund and by the stated amount. As such, these reduced receipt amounts caused the actual amount of funds available to fall below the total appropriations for the fund.

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
<b>2002</b>			
<b>Special Revenue</b>			
Title I 01-02	\$116,057	\$53,484	\$(62,573)

We recommend the District obtain a reduced amended certificate of estimated resources, and subsequently reduce appropriations, if needed, when it becomes apparent that actual receipts will become less than the amounts estimated.

**FINDING NUMBER 2003-004**

**Material Citation**

Ohio Revised Code § 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds and by the corresponding amounts at June 30, 2002:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>2002</b>			
<b>Special Revenue</b>			
Athletic Fund – High School	\$2,992	\$53,254	\$(50,262)
<b>Enterprise</b>			
Food Service	\$112,164	\$151,090	\$(38,926)
<b>Trust &amp; Agency</b>			
Student Managed Activity	\$31,122	\$37,763	\$(6,641)

We recommend that the Board and the Treasurer monitor closely the annual budget and file amended certificates of estimated resources and appropriations as needed to ensure disbursements are within the amounts legally appropriated. We also recommend that the Treasurer deny expenditures that exceed appropriations.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2003 AND 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b>Explain:</b>
2001-001	ORC Section 5705.41(D) 81% of expenditures in 2000 and 34% of expenditures in 2001 did not have funds certified before the expenditure was made.	Yes	Corrected.
2001-002	ORC Section 5705.41(B) money should not be expended unless it has been appropriated.	No	Re-issued as Finding Number 2003-004 and in the Management Letter.
2001-003	The District had not maintained documentation to support changes in fixed assets.	No	Re-issued as Finding Number 2003-001.
2001-004	The District had not maintained documentation to support outstanding encumbrances or unrecorded encumbrances, since the records were in disarray.	Yes	Corrected.
2001-005	The District had not maintained documentation to support the financial activities of the Student Activities in the Agency Fund.	No	Re-issued as Finding Number 2003-002.
2001-006	The District did not have a credit card policy regarding the proper use of the District's credit card(s).	Yes	Corrected.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 1, 2005**