



Mary Taylor, CPA
Auditor of State

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Joseph Badger Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Joseph Badger Local School District, Trumbull County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 10, 2009

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The discussion and analysis of Joseph Badger Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- ❑ Net assets of governmental activities decreased \$731,531, which represents a 3.2 percent decrease from 2007.
- ❑ Governmental Activities reflected total revenue in the amount of \$9,388,571, a \$298,865 decrease from the prior fiscal year. This decrease is mainly the result of a decrease in intergovernmental revenues not restricted.
- ❑ Total program expenses were \$10,120,102 in Governmental Activities, a 5.01 percent decrease from 2007. This decrease is mainly due to retiring teachers.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Joseph Badger Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Joseph Badger Local School District, the general fund, the bond retirement debt service fund and the school facilities commission capital projects fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District's activities are classified as governmental and business-type. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, the bond retirement debt service fund and the school facilities commission capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds The Board of Education charges students a fee for school lunches. The money collected locally combined with State and Federal reimbursements, is intended to defray all expenses necessary to operate the food service program. Each month the Board reviews food service fund projections to judge how much negative impact will be placed on the general fund. Additionally, the district operates a medical and dental fund designed to defray unforeseen healthcare expenses. It is the School District's belief that these funds provide additional stability to the five year forecast. Proprietary funds utilize the same form of accounting as business-type activities, therefore these statements match those found in the district-wide statements.

The School District as a Trustee

The School District is a trustee or fiduciary for two funds. One of these funds holds and invests the principal amount and provides the earnings in the form of a scholarship for graduating seniors. The other fund accounts for money collected for student activities. There is no School District related activity occurring within these funds.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

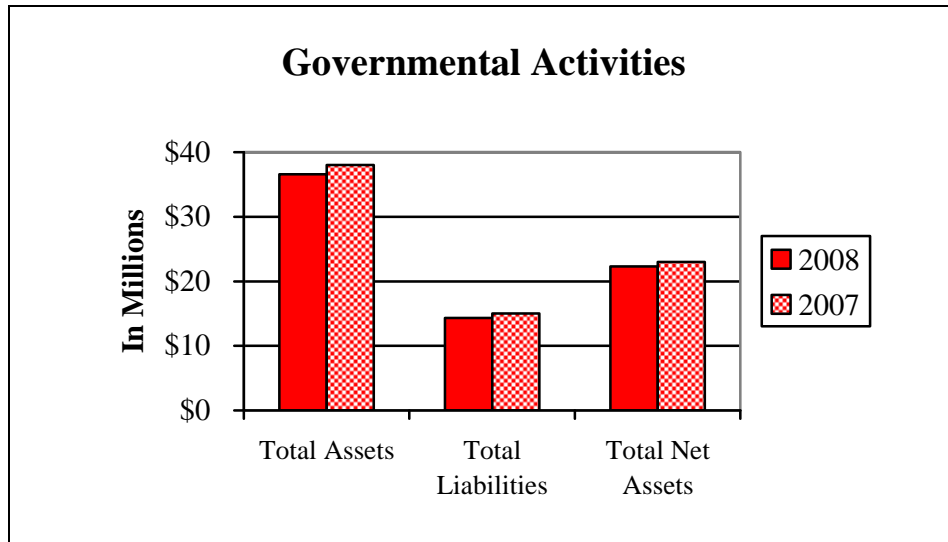
Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$7,649,178	\$8,204,495	\$23,971	\$28,927	\$7,673,149	\$8,233,422
Capital Assets, Net	28,671,787	29,557,756	225,994	241,902	28,897,781	29,799,658
<i>Total Assets</i>	<u>36,320,965</u>	<u>37,762,251</u>	<u>249,965</u>	<u>270,829</u>	<u>36,570,930</u>	<u>38,033,080</u>
Liabilities						
Current and Other Liabilities	4,387,779	4,843,484	35,504	35,825	4,423,283	4,879,309
Long-Term Liabilities:						
Due Within One Year	643,010	298,006	3,695	0	646,705	298,006
Due in More Than One Year	9,196,899	9,795,953	4,925	8,559	9,201,824	9,804,512
<i>Total Liabilities</i>	<u>14,227,688</u>	<u>14,937,443</u>	<u>44,124</u>	<u>44,384</u>	<u>14,271,812</u>	<u>14,981,827</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	19,892,131	20,397,763	225,994	241,902	20,118,125	20,639,665
Restricted for:						
Capital Projects	1,405,707	2,007,644	0	0	1,405,707	2,007,644
Debt Service	0	441,682	0	0	0	441,682
Set Asides	33,356	33,356	0	0	33,356	33,356
Other Purposes	37,493	65,088	0	0	37,493	65,088
Unrestricted (Deficit)	724,590	(120,725)	(20,153)	(15,457)	704,437	(136,182)
<i>Total Net Assets</i>	<u>\$22,093,277</u>	<u>\$22,824,808</u>	<u>\$205,841</u>	<u>\$226,445</u>	<u>\$22,299,118</u>	<u>\$23,051,253</u>

Graph 1
Net Assets
(In Millions)

	2008	2007
Total Assets	\$36.6	\$38.0
Total Liabilities	14.3	15.0
Total Net Assets	<u>\$22.3</u>	<u>\$23.0</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited



Total assets decreased \$1,462,150. Equity in pooled cash and cash equivalents decreased \$284,731. Property taxes receivable decreased \$205,463. Capital assets also decreased \$901,877, mainly due to depreciation taken in 2008.

Current liabilities decreased by \$456,026. This decrease resulted in part from a decrease of \$114,063 in deferred revenue and \$169,303 in accrued interest payable.

The vast majority of revenue supporting all activities is general revenue. General revenue totaled \$8,645,686 or 88.89 percent of the total revenue. The most significant portion of the general revenue is grants and entitlements not restricted to specific programs which accounts for 56.32 percent of total general revenues. The remaining amount of revenue received was in the form of program revenues, which equaled \$1,080,896 or 11.11 percent of total revenue.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current fiscal year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal years 2008 and 2007. Total expenses decreased \$555,048 mainly due to a decrease in salaries and health benefits because of retiring teachers.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

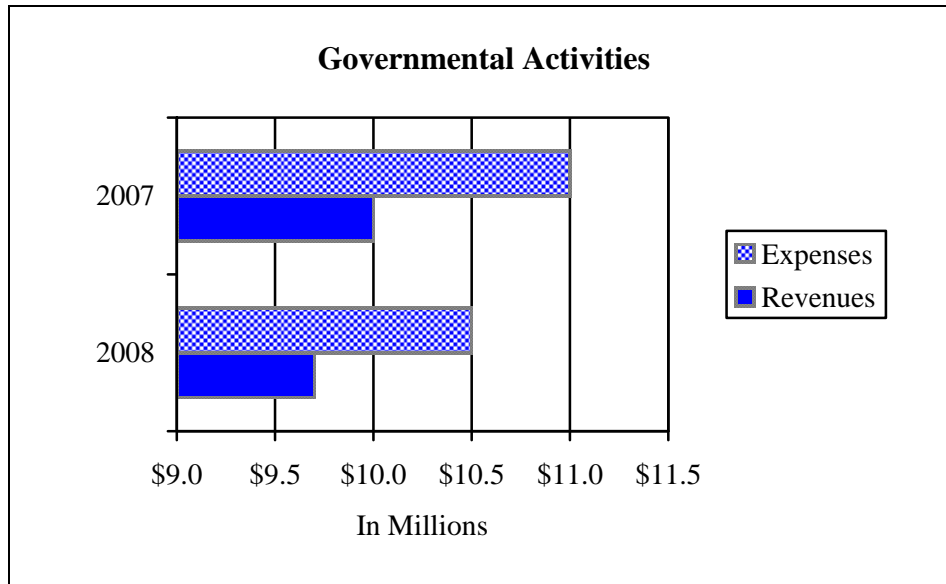
Table 2

	Program Revenues and Expenses					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program revenues						
Charges for Services and Sales	\$289,846	\$134,047	\$169,025	\$182,284	\$458,871	\$316,331
Operating Grants and Contributions	442,910	439,331	169,046	167,659	611,956	606,990
Capital Grants and Contributions	10,159	9,000	0	0	10,159	9,000
<i>Total Program Revenues</i>	<u>742,915</u>	<u>582,378</u>	<u>338,071</u>	<u>349,943</u>	<u>1,080,986</u>	<u>932,321</u>
General revenues						
Property Taxes	3,598,176	3,671,447	0	0	3,598,176	3,671,447
Grants and Entitlements not Restricted to Specific Programs	4,869,466	5,073,779	0	0	4,869,466	5,073,779
Investment Earnings	156,548	251,838	0	0	156,548	251,838
Miscellaneous	21,466	107,994	0	0	21,466	107,994
<i>Total General Revenues</i>	<u>8,645,656</u>	<u>9,105,058</u>	<u>0</u>	<u>0</u>	<u>8,645,656</u>	<u>9,105,058</u>
<i>Total Revenues</i>	<u>9,388,571</u>	<u>9,687,436</u>	<u>338,071</u>	<u>349,943</u>	<u>9,726,642</u>	<u>10,037,379</u>
Program Expenses						
Instruction:						
Regular	4,773,485	5,734,438	0	0	4,773,485	5,734,438
Special	614,306	499,029	0	0	614,306	499,029
Vocational	83,630	98,594	0	0	83,630	98,594
Support Services:						
Pupil	356,483	353,146	0	0	356,483	353,146
Instructional Staff	131,989	195,625	0	0	131,989	195,625
Board of Education	56,231	89,179	0	0	56,231	89,179
Administration	709,626	628,145	0	0	709,626	628,145
Fiscal	287,414	311,399	0	0	287,414	311,399
Operation and Maintenance of Plant	735,081	732,338	0	0	735,081	732,338
Pupil Transportation	1,385,097	966,981	0	0	1,385,097	966,981
Central	124,228	124,564	0	0	124,228	124,564
Operation of Non-Instructional Services	434,596	374,749	0	0	434,596	374,749
Extracurricular Activities	258,479	212,140	0	0	258,479	212,140
Interest and Fiscal Charges	169,457	333,966	0	0	169,457	333,966
Food Service	0	0	358,675	379,532	358,675	379,532
<i>Total Program Expenses</i>	<u>10,120,102</u>	<u>10,654,293</u>	<u>358,675</u>	<u>379,532</u>	<u>10,478,777</u>	<u>11,033,825</u>
<i>Change in Net Assets</i>						
<i>Before Transfers</i>	(731,531)	(966,857)	(20,604)	(29,589)	(752,135)	(996,446)
<i>Transfers</i>	0	(54,509)	0	54,509	0	0
<i>Change in Net Assets</i>	(731,531)	(1,021,366)	(20,604)	24,920	(752,135)	(996,446)
<i>Net Assets Beginning of Year</i>	22,824,808	23,846,174	226,445	201,525	23,051,253	24,047,699
<i>Net Assets End of Year</i>	<u>\$22,093,277</u>	<u>\$22,824,808</u>	<u>\$205,841</u>	<u>\$226,445</u>	<u>\$22,299,118</u>	<u>\$23,051,253</u>

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Graph 2
Revenues and Expenses
(In Millions)

	2008	2007
Revenues	\$9.7	\$10.0
Expenses	10.5	11.0



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 38.33 percent of revenues for governmental activities for Joseph Badger Local School District in fiscal year 2008 versus 37.90 percent in fiscal year 2007.

Instruction comprises 52.21 percent of all program expenses, which is the largest expense for Joseph Badger Local School District.

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Interest and fiscal charges was 1.62 percent of expenses. Interest expense was attributable to the outstanding debt issues previously approved by the residents of the School District to fund capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$5,471,421	\$5,062,697	\$6,332,061	\$5,972,988
Support Services:				
Pupil and Instructional Staff	488,472	353,811	548,771	435,597
Board of Education, Administration, and Fiscal	1,053,271	997,556	1,028,723	1,009,131
Operation and Maintenance of Plant	735,081	713,415	732,338	724,603
Pupil Transportation	1,385,097	1,349,499	966,981	959,609
Central	124,228	109,714	124,564	109,974
Operation of Non-Instructional Services	434,596	434,596	374,749	374,749
Extracurricular Activities	258,479	186,442	212,140	151,298
Interest and Fiscal Charges	169,457	169,457	333,966	333,966
<i>Total</i>	<u>\$10,120,102</u>	<u>\$9,377,187</u>	<u>\$10,654,293</u>	<u>\$10,071,915</u>

The dependence upon general revenues for governmental activities is apparent as they account for 92.66 percent of the total cost of services in fiscal year 2008. This amount is approximately the same as in 2007. The community, as a whole, is by far the primary support for Joseph Badger Local School District students.

The School District's Funds

Information regarding the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,491,008 and expenditures of \$9,698,740. The general fund had a moderate increase of \$225,746 in fund balance. The net change in fund balance for the year in the bond retirement fund was an increase of \$33,460. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes comprise the School District's largest revenue sources, accounting for 57.80 and 37.04 percent of total governmental revenue, respectively.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its general fund by a small percentage. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue totaled \$8,018,891, which was the same as the final budget estimate. Original budget estimates of \$7,984,629 differed from the final budget estimates due to lower original estimates of property taxes.

Actual budget basis expenditures and the final budget estimated expenditures both totaled \$7,909,524.

The School District's unencumbered ending cash balance totaled \$1,904,311.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008 the School District had \$28,897,781 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$528,682	\$528,682	\$0	\$0	\$528,682	\$528,682
Land Improvements	3,926,972	4,131,660	0	0	3,926,972	4,131,660
Buildings and Improvements	22,763,226	23,519,926	0	0	22,763,226	23,519,926
Furniture and Equipment	1,137,774	1,154,730	225,994	241,902	1,363,768	1,396,632
Vehicles	193,392	105,800	0	0	193,392	105,800
Textbooks	121,741	116,958	0	0	121,741	116,958
<i>Total Capital Assets</i>	<u>\$28,671,787</u>	<u>\$29,557,756</u>	<u>\$225,994</u>	<u>\$241,902</u>	<u>\$28,897,781</u>	<u>\$29,799,658</u>

For fiscal year 2008, capital assets decreased \$901,877. This was due to depreciation exceeding additions to capital assets. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Joseph Badger Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008 the School District had \$9,237,858 in general obligation bonds and capital leases outstanding. Table 5 summarizes the outstanding debt.

Table 5
Outstanding Debt at Fiscal Year End
Governmental Activities

	<u>2008</u>	<u>2007</u>
2006 New School Construction		
Serial Bonds	\$8,770,000	\$9,060,000
Capital Appreciation Bonds	99,993	99,993
Accretion on Capital Appreciation Bonds	24,696	17,727
Unamortized Premium	314,066	327,721
Capital Leases	<u>29,103</u>	<u>0</u>
<i>Total</i>	<u><u>\$9,237,858</u></u>	<u><u>\$9,505,441</u></u>

The School District's overall legal debt margin decreased to \$1.09 million. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

School District Outlook

The State of Ohio continues to place pressure on the resources of local districts through funding cuts. Moving to a single new building resulted in operational efficiencies that offset future revenue cuts from the State.

The most recently filed five-year forecast now shows that this School District should not require new local dollars for some time. The School District is determined to do all that it can to remain solvent and to avoid passing a new levy that would defy Supreme Court orders to reduce dependency on property tax. The School District currently has two Emergency levies. This levy position is precarious because these levies require voter approval at the end of their five year life and also because the dollar amount is fixed and does not compensate for inflation. The Board has discussed several alternative tax strategies. Management may attempt to replace emergency millage with an income tax or other more permanent solutions.

We are dependent on outside factors for our future success. The Ohio School Funding Formula provides most of the revenue for Joseph Badger Local Schools. While a substantial increase in the State's financial efforts would be justified and welcome, our forecasts do not take this possibility into account.

Joseph Badger Local School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The health care insurance consortium to which Joseph Badger belongs has a reasonable cash balance but felt it necessary to increase premiums by seven percent during this fiscal year in response to a sudden surge in claims. Health care costs containment has become a large issue for the future. Management negotiated a contract that will require employee contributions, increased office co-pays, increased drug co-pays and higher deductibles. Additionally, employees were required to have their spouses take single coverage if they were eligible at a reasonable cost of below \$100 per month. This will make sure that the claims of spouses stay with the responsible employer. It is estimated that this will result in a 12 percent reduction in claims.

Joseph Badger Local has thirteen teachers approaching retirement. Often if a senior teacher retires, they are replaced at a much lower cost. This could have a positive effect on School District finances.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information please contact Gregory Sciola, Treasurer at Joseph Badger Local School District, 7110 St. Rt. 7, Kinsman, Ohio 44428 or call (330) 876-2812 or e-mail Gregory.Sciola@Neomin.org.

Joseph Badger Local School District*Statement of Net Assets**June 30, 2008*

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,646,830	\$18,451	\$3,665,281
Accounts Receivable	0	5,520	5,520
Intergovernmental Receivable	5,293	0	5,293
Accrued Interest Receivable	7,090	0	7,090
Property Taxes Receivable	3,870,525	0	3,870,525
Deferred Charges	119,440	0	119,440
Nondepreciable Capital Assets	528,682	0	528,682
Depreciable Capital Assets, Net	28,143,105	225,994	28,369,099
<i>Total Assets</i>	<u>36,320,965</u>	<u>249,965</u>	<u>36,570,930</u>
Liabilities			
Accounts Payable	4,367	4,844	9,211
Contracts Payable	18,148	0	18,148
Accrued Wages and Benefits	636,249	19,200	655,449
Intergovernmental Payable	178,341	11,460	189,801
Deferred Revenue	3,517,672	0	3,517,672
Accrued Interest Payable	27,362	0	27,362
Claims Payable	5,640	0	5,640
Long-Term Liabilities:			
Due Within One Year	643,010	3,695	646,705
Due In More Than One Year	9,196,899	4,925	9,201,824
<i>Total Liabilities</i>	<u>14,227,688</u>	<u>44,124</u>	<u>14,271,812</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,892,131	225,994	20,118,125
Restricted for:			
Capital Projects	1,405,707	0	1,405,707
Set Asides	33,356	0	33,356
Other Purposes	37,493	0	37,493
Unrestricted (Deficit)	724,590	(20,153)	704,437
<i>Total Net Assets</i>	<u>\$22,093,277</u>	<u>\$205,841</u>	<u>\$22,299,118</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$4,773,485	\$113,748	\$58,894	\$301
Special	614,306	7,488	225,855	0
Vocational	83,630	2,345	93	0
Support Services:				
Pupil	356,483	10,446	109,935	0
Instructional Staff	131,989	9,496	4,784	0
Board of Education	56,231	13,337	529	0
Administration	709,626	22,762	9,495	0
Fiscal	287,414	9,226	366	0
Operation and Maintenance of Plant	735,081	19,842	1,824	0
Pupil Transportation	1,385,097	18,912	6,828	9,858
Central	124,228	2,758	11,756	0
Operation of Non-Instructional Services	434,596	0	0	0
Extracurricular Activities	258,479	59,486	12,551	0
Interest and Fiscal Charges	169,457	0	0	0
<i>Total Governmental Activities</i>	10,120,102	289,846	442,910	10,159
Business-Type Activity				
Food Service	358,675	169,025	169,046	0
<i>Totals</i>	<u>\$10,478,777</u>	<u>\$458,871</u>	<u>\$611,956</u>	<u>\$10,159</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activity	Total
(\$4,600,542)	\$0	(\$4,600,542)
(380,963)	0	(380,963)
(81,192)	0	(81,192)
(236,102)	0	(236,102)
(117,709)	0	(117,709)
(42,365)	0	(42,365)
(677,369)	0	(677,369)
(277,822)	0	(277,822)
(713,415)	0	(713,415)
(1,349,499)	0	(1,349,499)
(109,714)	0	(109,714)
(434,596)	0	(434,596)
(186,442)	0	(186,442)
(169,457)	0	(169,457)
(9,377,187)	0	(9,377,187)
0	(20,604)	(20,604)
(9,377,187)	(20,604)	(9,397,791)
2,912,951	0	2,912,951
612,604	0	612,604
72,621	0	72,621
4,869,466	0	4,869,466
156,548	0	156,548
21,466	0	21,466
8,645,656	0	8,645,656
(731,531)	(20,604)	(752,135)
22,824,808	226,445	23,051,253
\$22,093,277	\$205,841	\$22,299,118

Joseph Badger Local School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Bond Retirement	School Facilities Commission	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,908,042	\$141,856	\$853,499	\$597,292	\$3,500,689
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	34,625	0	0	0	34,625
Property Taxes Receivable	3,199,596	615,713	0	55,216	3,870,525
Accrued Interest Receivable	6,439	0	0	651	7,090
Intergovernmental Receivable	5,293	0	0	0	5,293
<i>Total Assets</i>	<u>\$5,153,995</u>	<u>\$757,569</u>	<u>\$853,499</u>	<u>\$653,159</u>	<u>\$7,418,222</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	4,257	0	0	110	4,367
Contracts Payable	5,192	0	12,956	0	18,148
Accrued Wages and Benefits	636,249	0	0	0	636,249
Intergovernmental Payable	178,134	0	0	207	178,341
Deferred Revenue	3,170,620	610,148	0	54,716	3,835,484
<i>Total Liabilities</i>	<u>3,994,452</u>	<u>610,148</u>	<u>12,956</u>	<u>55,033</u>	<u>4,672,589</u>
Fund Balances					
Reserved for Encumbrances	31,409	0	4,508	451,091	487,008
Reserved for Property Taxes	28,976	5,565	0	500	35,041
Reserved for Budget Stabilization	33,356	0	0	0	33,356
Reserved for Unclaimed Monies	1,269	0	0	0	1,269
Unreserved:					
Undesignated, Reported in:					
General Fund	1,064,533	0	0	0	1,064,533
Special Revenue Funds	0	0	0	20,780	20,780
Debt Service Fund	0	141,856	0	0	141,856
Capital Projects Funds	0	0	836,035	125,755	961,790
<i>Total Fund Balances</i>	<u>1,159,543</u>	<u>147,421</u>	<u>840,543</u>	<u>598,126</u>	<u>2,745,633</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,153,995</u>	<u>\$757,569</u>	<u>\$853,499</u>	<u>\$653,159</u>	<u>\$7,418,222</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2008

Total Governmental Fund Balances	\$2,745,633
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,671,787
Other long-term assets, such as property taxes, are not available to pay for current-period expenditures and therefore are deferred in the funds.	317,812
An internal service fund is used by management to charge the costs of dental insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	105,876
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	119,440
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(27,362)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(602,051)
Capital Leases Payable	(29,103)
General Obligation Bonds	<u>(9,208,755)</u>
Total	<u>(9,839,909)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$22,093,277</u></u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	School Facilities Commission	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,885,500	\$562,131	\$0	\$68,090	\$3,515,721
Intergovernmental	4,773,334	105,990	184,892	421,529	5,485,745
Interest	95,067	0	13,082	48,399	156,548
Tuition and Fees	219,576	0	0	0	219,576
Extracurricular Activities	0	0	0	54,717	54,717
Contributions and Donations	9,320	0	0	12,362	21,682
Charges for Services	15,553	0	0	0	15,553
Miscellaneous	21,466	0	0	0	21,466
<i>Total Revenues</i>	<u>8,019,816</u>	<u>668,121</u>	<u>197,974</u>	<u>605,097</u>	<u>9,491,008</u>
Expenditures					
Current:					
Instruction:					
Regular	3,782,777	0	0	49,192	3,831,969
Special	368,958	0	0	243,615	612,573
Vocational	83,310	0	0	0	83,310
Support Services:					
Pupil	243,931	0	0	109,521	353,452
Instructional Staff	128,665	0	0	4,165	132,830
Board of Education	56,231	0	0	0	56,231
Administration	704,048	0	0	8,593	712,641
Fiscal	299,731	10,421	0	822	310,974
Operation and Maintenance of Plant	622,319	0	0	103,850	726,169
Pupil Transportation	809,254	0	0	0	809,254
Central	91,289	0	0	11,647	102,936
Operation of Non-Instructional Services	434,596	0	0	0	434,596
Extracurricular Activities	151,429	0	0	76,867	228,296
Capital Outlay	36,904	0	197,847	422,630	657,381
Debt Service:					
Principal Retirement	15,875	290,000	0	0	305,875
Interest and Fiscal Charges	6,013	334,240	0	0	340,253
<i>Total Expenditures</i>	<u>7,835,330</u>	<u>634,661</u>	<u>197,847</u>	<u>1,030,902</u>	<u>9,698,740</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>184,486</u>	<u>33,460</u>	<u>127</u>	<u>(425,805)</u>	<u>(207,732)</u>
Other Financing Sources (Uses)					
Inception of Capital Lease	44,978	0	0	0	44,978
Transfers In	0	0	0	378,718	378,718
Transfers Out	(3,718)	0	(375,000)	0	(378,718)
<i>Total Other Financing Sources (Uses)</i>	<u>41,260</u>	<u>0</u>	<u>(375,000)</u>	<u>378,718</u>	<u>44,978</u>
<i>Net Change in Fund Balances</i>	225,746	33,460	(374,873)	(47,087)	(162,754)
<i>Fund Balances Beginning of Year - Restated (See note 3)</i>	<u>933,797</u>	<u>113,961</u>	<u>1,215,416</u>	<u>645,213</u>	<u>2,908,387</u>
<i>Fund Balances End of Year</i>	<u>\$1,159,543</u>	<u>\$147,421</u>	<u>\$840,543</u>	<u>\$598,126</u>	<u>\$2,745,633</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$162,754)

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	252,438
Depreciation	<u>(1,138,407)</u>

Total (885,969)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	82,455
School Facilities Money	<u>(184,892)</u>

Total (102,437)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 305,875

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	169,303
Amortization of Issuance Costs	(5,193)
Amortization of Premium on Bonds	13,655
Bond Accretion	<u>(6,969)</u>

Total 170,796

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (13,533)

Other financing sources, such as inception of capital leases, in the governmental funds increase long-term liabilities in the statement of net assets. (44,978)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 1,469

Change in Net Assets of Governmental Activities (\$731,531)

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$2,777,544	\$2,874,015	\$2,874,015	\$0
Intergovernmental	4,945,072	4,772,689	4,772,689	0
Interest	105,000	106,272	106,272	0
Tuition and Fees	126,013	219,576	219,576	0
Contributions and Donations	5,000	9,320	9,320	0
Charges for Services	1,000	15,553	15,553	0
Miscellaneous	25,000	21,466	21,466	0
<i>Total Revenues</i>	7,984,629	8,018,891	8,018,891	0
Expenditures				
Current:				
Instruction:				
Regular	4,121,921	3,868,425	3,868,425	0
Special	268,361	365,814	365,814	0
Vocational	81,422	83,285	83,285	0
Support Services:				
Pupil	247,388	243,401	243,401	0
Instructional Staff	185,629	135,196	135,196	0
Board of Education	89,436	55,477	55,477	0
Administration	616,453	708,363	708,363	0
Fiscal	274,671	273,676	273,676	0
Operation and Maintenance of Plant	600,951	618,453	618,453	0
Pupil Transportation	721,079	842,432	842,432	0
Central	102,923	95,803	95,803	0
Operation of Non-Instructional Services	374,749	430,509	430,509	0
Extracurricular Activities	146,294	151,786	151,786	0
Capital Outlay	193,865	36,904	36,904	0
<i>Total Expenditures</i>	8,025,142	7,909,524	7,909,524	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(40,513)	109,367	109,367	0
Other Financing Uses				
Transfers Out	(60,639)	(3,718)	(3,718)	0
<i>Net Change in Fund Balance</i>	(101,152)	105,649	105,649	0
<i>Fund Balance Beginning of Year</i>	1,666,752	1,666,752	1,666,752	0
Prior Year Encumbrances Appropriated	131,910	131,910	131,910	0
<i>Fund Balance End of Year</i>	\$1,697,510	\$1,904,311	\$1,904,311	\$0

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2008

	Business-Type Activity Enterprise Fund	Governmental Activity Internal Service Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$18,451	\$111,516
Accounts Receivable	5,520	0
Depreciable Capital Assets, Net	225,994	0
<i>Total Assets</i>	<u>249,965</u>	<u>111,516</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	4,844	0
Accrued Wages and Benefits	19,200	0
Intergovernmental Payable	11,460	0
Claims Payable	0	5,640
<i>Long-Term Liabilities:</i>		
Due Within One Year	3,695	0
Due In More Than One Year	4,925	0
<i>Total Liabilities</i>	<u>44,124</u>	<u>5,640</u>
Net Assets		
Invested in Capital Assets	225,994	0
Unrestricted (Deficit)	(20,153)	105,876
<i>Total Net Assets</i>	<u>\$205,841</u>	<u>\$105,876</u>

See accompanying notes to the basic financial statements

Joseph Badger Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008*

	Business-Type Activity Enterprise Fund	Governmental Activity Internal Service Fund
Operating Revenues		
Charges for Services	\$169,025	\$62,549
Operating Expenses		
Salaries	91,647	0
Fringe Benefits	57,661	0
Purchased Services	50,903	3,640
Materials and Supplies	142,271	0
Claims	0	57,440
Depreciation	15,908	0
Other	285	0
<i>Total Operating Expenses</i>	358,675	61,080
<i>Operating Income (Loss)</i>	(189,650)	1,469
Operating Grants	169,046	0
<i>Change in Net Assets</i>	(20,604)	1,469
<i>Net Assets Beginning of Year</i>	226,445	104,407
<i>Net Assets End of Year</i>	\$205,841	\$105,876

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2008

	Business-Type Activity Enterprise Fund	Governmental Activity Internal Service Fund
<i>Increase in Cash and Cash Equivalents</i>		
Cash Flows from Operating Activities		
Cash Received from Customers	\$163,505	\$0
Cash Received from Interfund Services	0	62,549
Cash Payments to Employees for Services	(109,142)	0
Cash Payments for Employee Benefits	(70,108)	0
Cash Payments to Suppliers for Goods and Services	(162,579)	(3,640)
Cash Payments for Claims	0	(57,388)
Other Cash Payments	(1,198)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	(179,522)	1,521
<i>Cash Flows from Noncapital Financing Activities</i>		
Operating Grants Received	197,918	0
<i>Net Increase in Cash and Cash Equivalents</i>	18,396	1,521
<i>Cash and Cash Equivalents Beginning of Year</i>	55	109,995
<i>Cash and Cash Equivalents End of Year</i>	\$18,451	\$111,516
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$189,650)	\$1,469
Adjustments:		
Depreciation	15,908	0
Increase in Accounts Receivable	(5,520)	0
Increase (Decrease) in Liabilities:		
Accounts Payable	353	0
Accrued Wages	1,412	0
Compensated Absences Payable	61	0
Intergovernmental Payable	(2,086)	0
Claims Payable	0	52
<i>Total Adjustments</i>	10,128	52
<i>Net Cash Provided by (Used for) by Operating Activities</i>	(\$179,522)	\$1,521

See accompanying notes to the basic financial statements

Joseph Badger Local School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2008

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$27,944	\$32,843
Receivables:		
Accrued Interest	<u>36</u>	<u>0</u>
<i>Total Assets</i>	<u>27,980</u>	<u>\$32,843</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$32,843</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$32,843</u>
Net Assets		
Held in Trust for Scholarships	<u>27,980</u>	
<i>Total Net Assets</i>	<u>\$27,980</u>	

See accompanying notes to the basic financial statements

Joseph Badger Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$1,020
Deductions	
Scholarships Awarded	1,815
<i>Change in Net Assets</i>	(795)
<i>Net Assets Beginning of Year</i>	28,775
<i>Net Assets End of Year</i>	\$27,980

See accompanying notes to the basic financial statements

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

Joseph Badger Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by thirty-five classified employees, fifty-eight certified full-time teaching personnel, and five administrators who provide services to 1,067 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in five jointly governed organizations and three public entity risk pools and is associated with a related organization. These organizations are the presented in Notes 19, 20, and 21 to the financial statements. These organizations are:

Jointly Governed Organizations:

- Trumbull County Career and Technical Center
- Northeast Ohio Management Information Network
- Northeast Ohio Instructional Media Center
- Trumbull Student Assistance Consortium
- Region 12 Professional Development Center

Public Entity Risk Pools:

- Ohio School Boards Association Workers' Compensation Group Rating Program
- Trumbull County Schools Employee Insurance Benefits Consortium
- Schools of Ohio Risk Sharing Authority (SORSA)

Related Organization:

- Kinsman Public Library

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB Statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges).

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

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. Fund Accounting

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

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

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

Bond Retirement Fund – The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

School Facilities Commission Fund – The State school facilities commission fund accounts for revenue received from the State of Ohio, interest revenue and bond proceeds to be used for the construction of a new pre-kindergarten thru grade twelve building.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the School District accounts for the financial transactions related to the food service operations of the School District.

Internal Service Fund The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee dental benefits and health and wellness programs.

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to year end the Board of Education adopted appropriations which match actual expenditures plus encumbrances and requested a certificate of estimated resources to match actual revenues.

F. Cash and Cash Equivalents

Cash received by the School District is pooled for investment purposes. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio).

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$95,067, which includes \$9,715 assigned from other School District funds.

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

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund are money required by State statute to be set-aside to create a reserve for budget stabilization and for unclaimed funds. See Note 17 for additional information regarding set-asides.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of twenty-five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	50 years	N/A
Buildings and Improvements	50 years	N/A
Furniture and Equipment	8-20 years	8-20 years
Vehicles	10 years	N/A
Textbooks	5 years	N/A

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$1,476,556, none of which is restricted by enabling legislation. Net assets restricted for other purposes include grants and resources restricted for food service operations and extracurricular activities.

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization and unclaimed monies.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money set aside to protect against cyclical changes in revenues and expenditures. The reserve for unclaimed monies represents cash that under Ohio law must remain unclaimed for five years before it becomes available for appropriation.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for food service. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

O. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the school improvement general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental fund financial statements bond issuance costs are recognized when the debt is issued.

P. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 3 – Change in Accounting Principles and Restatement of Prior Year’s Balances

A. Change in Accounting Principles

For 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both SERS and the STRS post-employment healthcare plans in the amount of \$40,613 and \$36,851, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Prior Year’s Balances

During 2008, it was determined that equity pooled in cash and cash equivalents was overstated in the L.F.I facilities capital project fund and understated the school facilities commission capital project fund during 2007. This restatement had the following effect on fund balance as they were previously reported.

	<u>General</u>	<u>Bond Retirement</u>	<u>School Facilities Commission</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance, December 31, 2007	\$933,797	\$113,961	\$343,637	\$1,516,992	\$2,908,387
Equity Pooled in Cash and Cash Equivalents	<u>0</u>	<u>0</u>	<u>871,779</u>	<u>(871,779)</u>	<u>0</u>
Adjusted Fund Balance, December 31, 2007	<u>\$933,797</u>	<u>\$113,961</u>	<u>\$1,215,416</u>	<u>\$645,213</u>	<u>\$2,908,387</u>

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$225,746
Net Adjustment for Revenue Accruals	(45,903)
Net Adjustment for Expenditure Accruals	(35,838)
Encumbrances	<u>(38,356)</u>
Budget Basis	<u><u>\$105,649</u></u>

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$2,795 of the School District's bank balance of \$144,161 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Investments

As of June 30, 2008, the School District had an investment in STAROhio with a fair value of \$3,638,139, and a maturity of 53.8 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Note 6 – Accountability

At June 30, 2008, the Title I special revenue fund had a deficit fund balance of \$208. The Title I special revenue fund's deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, rather than when accruals occur.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The School District receives property taxes from Trumbull County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$28,976 in the general fund, \$5,565 in the bond retirement debt service fund, \$437 in the classroom facilities maintenance special revenue fund and \$63 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2007 was \$17,491 in the general fund, \$3,487 in the bond retirement debt service fund, \$269 in the School Facilities Commission permanent improvement capital projects fund and \$307 in the permanent improvement capital projects fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$106,260,890	93.61 %	\$106,975,200	94.83 %
Public Utility Personal	4,234,520	3.73	3,410,280	3.03
Tangible Personal Property	3,016,432	2.66	2,418,796	2.14
Total	<u>\$113,511,842</u>	<u>100.00 %</u>	<u>\$112,804,276</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$42.45		\$42.80	

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$528,682	\$0	\$0	\$528,682
<i>Capital Assets being Depreciated:</i>				
Land Improvements	4,237,600	7,570	0	4,245,170
Buildings and Improvements	23,898,276	0	0	23,898,276
Furniture and Equipment	1,194,045	72,607	0	1,266,652
Vehicles	834,476	135,976	0	970,452
Textbooks	588,618	36,285	0	624,903
<i>Total Capital Assets being Depreciated</i>	<u>30,753,015</u>	<u>252,438</u>	<u>0</u>	<u>31,005,453</u>
Less Accumulated Depreciation:				
Land Improvements	(105,940)	(212,258)	0	(318,198)
Buildings and Improvements	(378,350)	(756,700)	0	(1,135,050)
Furniture and Equipment	(39,315)	(89,563)	0	(128,878)
Vehicles	(728,676)	(48,384)	0	(777,060)
Textbooks	(471,660)	(31,502)	0	(503,162)
<i>Total Accumulated Depreciation</i>	<u>(1,723,941)</u>	<u>(1,138,407) *</u>	<u>0</u>	<u>(2,862,348)</u>
<i>Total Assets being Depreciated, Net</i>	<u>29,029,074</u>	<u>(885,969)</u>	<u>0</u>	<u>28,143,105</u>
<i>Governmental Activities</i>				
<i>Capital Assets, Net</i>	<u>\$29,557,756</u>	<u>(\$885,969)</u>	<u>\$0</u>	<u>\$28,671,787</u>
Business-Type Activity				
Furniture and Equipment	\$248,883	\$0	\$0	\$248,883
Less Accumulated Depreciation	(6,981)	(15,908)		(22,889)
<i>Buisness-Type Activity</i>				
<i>Capital Assets, Net</i>	<u>\$241,902</u>	<u>(\$15,908)</u>	<u>\$0</u>	<u>\$225,994</u>

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,017,256
Special	756
Vocational	320
Support Services:	
Pupil	2,285
Administration	1,520
Operation and Maintenance of Plant	16,244
Pupil Transportation	48,384
Central	21,292
Extracurricular Activities	<u>30,350</u>
Total Depreciation Expense	<u>\$1,138,407</u>

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 9 - Receivables

Receivables at June 30, 2008, consisted of taxes, tuition, and rentals. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

The principal intergovernmental receivable is a State bus purchase reimbursement for \$5,293.

Note 10 - Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$88,999, \$107,518, and \$102,049, respectively; 46.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$479,062, \$469,808, and \$496,719, respectively; 83.73 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,242 made by the School District and \$5,747 made by the plan members.

Note 11 - Postemployment Benefits

A. School Employee Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount, for 2008, this amount was \$19,244.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$40,613, \$35,687, and \$38,193 respectively; 46.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$6,413, \$7,311, and \$7,370 respectively; 46.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$36,851, \$36,124, and \$35,373 respectively; 83.73 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire receive a severance benefit upon retirement limited to twenty-five percent of accumulated sick leave. For classified employees the maximum pay out is limited to eighty days. For certified employees and certain administrators, the maximum payout is determined by their individual contracts. Only employees with 10 years of service or more, with the School District, are paid for unused sick leave at termination or resignation.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Trumbull County Schools Employee Insurance Benefits Consortium at a cost of \$.105 per \$1,000 for the first \$50,000 and a rate that varies by age for amounts in excess of the first \$50,000. The coverage provided follows:

<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>	<u>Class</u>	<u>Class Description</u>	<u>Amount of Coverage</u>
I	Full Time Certified	\$50,000	VI	Classified Cafeteria Aide	\$12,500
II	Full Time Classified	25,000	VII	Half Day Custodial	12,500
III	Part Time Classified	25,000	VIII	Building Secretaries	25,000
IV	Treasurer	100,000	IX	Administrators	50,000
V	Half Day Classified	125,000	X	Superintendent	100,000

Note 13 – Interfund Transfers

The general fund made transfers to the athletics and music special revenue fund for \$3,718 to subsidize programs. The Ohio school facilities capital projects fund transferred \$375,000 to the permanent improvement capital projects fund for the purchase of school buses.

Note 14 - Long-Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
2006 New School Construction			
Serial Bonds	2.00-3.90%	\$9,900,000	2031
Capital Appreciation Bonds	3.70%	99,993	2031

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08	Amounts Due in One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2006 New School Construction					
Serial Bonds	\$9,060,000	\$0	\$290,000	\$8,770,000	\$300,000
Capital Appreciation Bonds	99,993	0	0	99,993	0
Accretion on Bonds	17,727	6,969	0	24,696	0
Unamortized Premium	327,721	0	13,655	314,066	0
<i>Total General Obligation Bonds</i>	<u>9,505,441</u>	<u>6,969</u>	<u>303,655</u>	<u>9,208,755</u>	<u>300,000</u>
<i>Other Long-Term Obligations</i>					
Capital Leases	0	44,978	15,875	29,103	8,939
Compensated Absences	588,518	339,058	325,525	602,051	334,071
<i>Total Other Long-Term Obligations</i>	<u>588,518</u>	<u>384,036</u>	<u>341,400</u>	<u>631,154</u>	<u>343,010</u>
 Total Long-Term Liabilities	 <u>\$10,093,959</u>	 <u>\$391,005</u>	 <u>\$645,055</u>	 <u>\$9,839,909</u>	 <u>\$643,010</u>
 Business-Type Activities					
Compensated Absences	<u>\$9,123</u>	<u>\$4,620</u>	<u>\$5,123</u>	<u>\$8,620</u>	<u>\$3,695</u>

Compensated absences will be paid from the general fund and the food service enterprise fund.

On June 24, 2003, Joseph Badger Local School District issued \$9,999,993 in general obligation bonds, which included serial bonds, current interest bonds, and capital appreciation bonds to fund the construction of the new pre-kindergarten through grade twelve building. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2031. The bonds were issued at a premium of \$382,341. The final maturity amount of the capital appreciation bonds will be \$350,000. The bonds were issued to repay the short term bond anticipation notes.

All general obligation bonds will be paid from property taxes.

The School District's overall debt margin was \$1,091,052 with an unvoted debt margin of \$112,804 at June 30, 2008. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008 are as follows:

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

	Serial Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2009	\$300,000	\$328,340	\$0	\$0
2010	305,000	321,833	0	0
2011	310,000	314,295	0	0
2012	315,000	305,855	0	0
2013	330,000	296,660	0	0
2014-2018	685,000	717,812	99,993	1,640,308
2019-2023	1,920,000	1,177,883	0	0
2024-2028	2,350,000	746,050	0	0
2029-2033	2,255,000	198,981	0	0
Total	<u>\$8,770,000</u>	<u>\$4,407,709</u>	<u>\$99,993</u>	<u>\$1,640,308</u>

The serial bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirement of the School District. The mandatory redemption is to occur on December 1, of each of the years 2024 through 2031 (with the balance of \$600,000 to be paid at stated maturity on December 1, 2021) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule.

Year	Amount
2024	\$430,000
2025	450,000
2026	470,000
2027	490,000
2028	510,000
2029-2032	2,255,000
Total	<u>\$4,605,000</u>

Note 15 – Capital Leases

During 2008, the School District entered into a lease agreement for a Toshiba e-Studio copier. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and has been recorded on the government-wide statements. The governmental equipment has been capitalized in the amount of \$44,978, the present value of the minimum lease payments at the inception of the lease.

The asset acquired through capital lease is as follows:

Asset:	Governmental Activities
Equipment	\$44,978
Less: Accumulated Depreciation	(8,996)
Total Book Value as of June 30, 2008	<u>\$35,982</u>

Joseph Badger Local School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

Year Ending June 30,	Amount
2009	\$10,944
2010	10,944
2011	10,944
Total Minimum Lease Payments	32,832
Less: Amount Representing Interest	(3,729)
Present Value of Minimum Lease	\$29,103

Note 16 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided by SORSA is as follows:

General Liability

Bodily Injury, Personal Injury, Products/Completed Operations	\$1,000,000
Fire Legal Liability	500,000
Employee Benefits Liability	1,000,000
Medical Payments (\$5,000 per accident)	1,000/person
General Liability Annual Aggregate	3,000,000

Educators' Legal Liability – Errors and Omissions (\$5,000 deductible) 1,000,000

Automobile Liability 50,000

Owned/Leased Vehicles includes Hired/Non-owned (no deductible) 1,000,000

Uninsured Motorists (no deductible) 50,000

Automobile Physical Damage (\$1,000 deductible) Actual Value

Property Insurance Limit (Replacement Cost with \$1,000 deductible) 19,890,159

Crime, Forgery, Computer Fraud, Theft, Disappearance, Destruction 50,000

Earthquake and Flood (\$100,000 deductible) 1,000,000

Unintentional Errors and Omissions 1,000,000

other property damage included (\$1,000 deductible) Various

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

B. Employee Health Benefits

The School District has contracted with Trumbull County Schools Employee Insurance Benefits Consortium to provide employee medical/surgical benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The School District elected to provide dental coverage benefits through a self-insurance program. The School District maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a dental plan with a \$75 family and \$25 single deductible. A third-party administrator, Professional Benefits Administrators, located in Austintown, Ohio, reviews all dental claims which are then paid by the School District. The School District pays into the self-insurance internal service fund \$70.90 per family coverage and \$19.78 per single coverage per month for dental plan. The premiums are paid by the fund that pays the salary for the employee and are based on historical cost information

The claims liability estimated by the third party administrator to be \$5,640 reported in the internal service fund at June 30, 2008 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The change in the fund's claims liability amount for 2008 was:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2007	\$6,631	\$52,528	\$53,571	\$5,588
2008	5,588	57,440	57,388	5,640

C. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A 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 & Company provides administrative, cost control and actuarial services to the GRP.

Joseph Badger Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 17 - Set-Aside Calculations

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

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	Textbooks	Capital Improvements	Budget Reserve
Set-aside Reserve Balance as of June 30, 2007	(\$63,533)	\$0	\$33,356
Prior Year Carryover	\$0	(\$10,900,350)	\$0
Current Year Set-aside Requirement	168,611	168,611	0
Current Year Offsets	0	(30,196)	0
Qualifying Disbursements	(108,005)	(568,765)	0
Totals	<u>(\$2,927)</u>	<u>(\$11,330,700)</u>	<u>\$33,356</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$2,927)</u>	<u>(\$10,900,350)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$33,356</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital acquisition set-asides. The extra amount in the textbooks and capital improvements set-aside may be used to reduce the set-aside requirement of future years. The total reserve balance for the set-asides at the end of the fiscal year was \$33,356.

Note 18 - Contingencies

Grants

The School District receives financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 19 – Jointly Governed Organizations

A. Trumbull County Career and Technical Center

The Trumbull County Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the fifteen participating school districts. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Joseph Badger Local School District students may attend the vocational school. Each school district's control is limited to its representation on the board. During fiscal year 2008, no monies were paid to the Career and Technical Center. Financial information can be obtained from the Trumbull County Career and Technical Center, Treasurer, at 528 Educational Highway, Warren, Ohio 44483.

B. Northeast Ohio Management Information Network (NEOMIN)

The Northeast Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The School District paid \$17,614 to NEOMIN during fiscal year 2008.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members, the Trumbull and Ashtabula superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The School District was represented on the Governing Board by the Superintendent during fiscal year 2008. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained from the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

C. Northeast Ohio Instructional Media Center (NEOIMC)

The Northeast Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or media to support the educational curricula of the School District. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one city superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2008, the School District paid \$1,600. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, a 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

D. Trumbull Student Assistance Consortium (TSAC)

The Trumbull Student Assistance Consortium (TSAC) is a jointly governed organization among sixteen school districts. The jointly governed organization was formed for the purpose of aiding each participating district in establishing an effective comprehensive alcohol, tobacco and other drug prevention/intervention program that will help make schools drug free.

TSAC is governed by an executive management council made up of five superintendents of the participating districts whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

E. Region 12 Professional Development Center (Center)

The Region 12 Professional Development Center (Center) is a jointly governed organization among the school districts located in Trumbull, Mahoning, and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvement in instructional programs.

The center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University, whose term rotates every year. The degree of control exercised by any participating school district is limited to representation on the Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, at 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Note 20 – Public Entity Risk Pools

A. Insurance Purchasing Pool

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

B. Shared Risk Pools

The School District participates in the Trumbull County Schools Employee Insurance Benefits Consortium. It is a shared risk pool comprised of sixteen Trumbull 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 control over the operation of the Consortium. All Consortium revenue are generated from charges for services.

Joseph Badger Local School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

The School District also participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Note 21 – Related Organization

The Kinsman Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Joseph Badger Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fire personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Kinsman Public Library, Martha L. Huscroft, Clerk/Treasurer, at 6420 Church Street, Kinsman, Ohio 44428.

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JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$6,333		\$6,333
<i>Nutrition Cluster:</i>						
School Breakfast Program	05-PU-08	10.553	\$39,937		\$39,937	
National School Lunch Program	LL-P4-08	10.555	152,034		152,034	
Total -- Nutrition Cluster			191,971		191,971	
Total U.S. Department of Agriculture			191,971	6,333	191,971	6,333
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies						
Title I School Subsidy	C1-S1-08	84.010	120,896		124,884	
<i>Special Education Grants Cluster:</i>						
Title VI - B Special Education Grants to States	6B-SF-2008	84.027	218,721		218,721	
Safe and Drug Free Schools Grant Title IV	DR-S1-2008	84.186	3,484		3,484	
Innovative Education Program Strategies Title V	C2-S1-2008	84.298	2,387		2,387	
Technology Literacy Challenge Fund Grants Title II - D	TJ-S1-2008	84.318	1,223		1,223	
Improving Teacher Quality State Grants Title II - A	TR-S1-2008	84.367	48,208		48,382	
Total -- U.S. Department of Education			394,919		399,081	
Totals			\$586,890	\$6,333	\$591,052	\$6,333

The accompanying notes to this schedule are an integral part of this schedule.

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B- FOOD DISTRIBUTION

Program regulations do not require the District to maintain separate inventory records for the purchased food and food received from the U. S. Department of Agriculture. This nonmonetary assistance (expenditure) is reported in the Schedule at the entitlement value for the commodities received.

Cash receipts from the U. S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



Mary Taylor, CPA

Auditor of State

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

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To The Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Joseph Badger Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2009. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted a certain matter that we reported to the District's management in a separate letter dated March 10, 2009.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note one noncompliance or other matter that we reported to the District's management in a separate letter dated March 10, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 10, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Joseph Badger Local School District
Trumbull County
7119 State Route 7
Kinsman, Ohio 44428

To The Board of Education:

Compliance

We have audited the compliance of Joseph Badger Local School District, Trumbull County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Joseph Badger Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 10, 2008

**JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 84.010 Title One and CFDA#s10.553 and 10.555 Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

JOSEPH BADGER LOCAL SCHOOL DISTRICT
TRUMBULL 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
APRIL 16, 2009