



Mary Taylor, CPA  
Auditor of State



**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Poland Local School District  
Mahoning County  
3199 Dobbins Road  
Poland, Ohio 44514

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Poland Local School District, Mahoning 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 audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Poland Local School District, Mahoning County, Ohio, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund thereof 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 September 30, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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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

September 30, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The Management's Discussion and Analysis of the Poland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$1,671,755 which represents a 154.26 % increase from 2007.
- General revenues accounted for \$20,071,949 in revenue, or 87.29% of all revenues. Program specific revenues in the form of charges for services and sales, and grants and contributions accounted for \$2,922,422, or 12.71% of total revenues of \$22,994,371.
- The District had \$21,322,616 in expenses related to governmental activities; only \$2,922,422 of these expenses were offset by program specific charges for services and sales, and grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,071,949 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and building fund. The general fund had \$19,453,520 in revenues and \$18,273,952 in expenditures. During fiscal year 2008, the fund balance of the general fund increased \$1,179,568 from a balance of \$1,336,533 to \$2,516,101.
- The District's bond retirement fund had \$834,501 in revenues and \$770,574 in expenditures. During fiscal year 2008, the fund balance of the bond retirement fund increased \$63,927 from \$1,047,710 to \$1,111,637.
- The District's building fund had \$3,000,222 in revenues and other financing sources and \$24,862 in expenditures. During fiscal year 2008, fund balance of the building fund increased by \$2,975,360 from zero to \$2,975,360.

**Using the Basic Financial Statements**

This annual report consists of this management's discussion and analysis, the basic financial statements and the notes to the basic financial statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the governmental activities of the District as a whole, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the 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 assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the 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 District's 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and the building fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

**The District as a Whole**

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

|  | <b>Net Assets</b>                  |                                    |
|--|------------------------------------|------------------------------------|
|  | Governmental<br>Activities<br>2008 | Governmental<br>Activities<br>2007 |
| <b><u>Assets</u></b>   |                                    |                                    |
| Current and other assets                                     | \$ 22,311,535                      | \$ 18,679,426                      |
| Capital assets   | <u>10,089,080</u>                  | <u>10,135,352</u>                  |
| Total assets   | <u>32,400,615</u>                  | <u>28,814,778</u>                  |
| <b><u>Liabilities</u></b>                                    |                                    |                                    |
| Current liabilities  | 15,150,317                         | 15,472,165                         |
| Long-term liabilities  | <u>14,503,783</u>                  | <u>12,258,853</u>                  |
| Total liabilities  | <u>29,654,100</u>                  | <u>27,731,018</u>                  |
| <b><u>Net Assets</u></b>                                     |                                    |                                    |
| Invested in capital assets,<br>net of related debt (deficit) | 600,027                            | (82,964)                           |
| Restricted   | 1,258,596                          | 1,341,779                          |
| Unrestricted (deficit)                                       | <u>896,892</u>                     | <u>(175,055)</u>                   |
| Total net assets   | <u>\$ 2,755,515</u>                | <u>\$ 1,083,760</u>                |

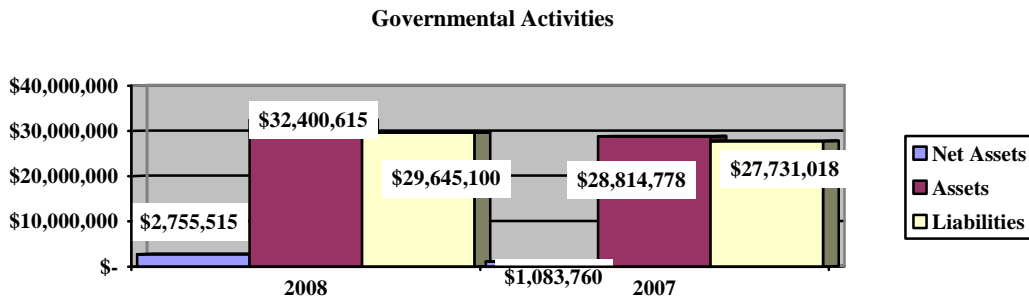
At June 30, 2008, the District's assets exceeded liabilities by \$2,755,515. At year-end, restricted net assets were \$1,258,596. Over time, net assets can serve as a useful indicator of a government's financial position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

At year-end, capital assets represented 31.14% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. The amount reported as net assets, invested in capital assets, net of related debt at June 30, 2008 is \$600,027. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$1,258,596 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$896,892.



The table below shows the change in net assets for fiscal years 2008 and 2007.

|                                    | <b>Change in Net Assets</b>                 |   |
|------------------------------------|---|---|
|                                    | <u>Governmental<br/>Activities<br/>2008</u> | <u>Governmental<br/>Activities<br/>2007</u> |
| <b><u>Revenues</u></b>             |   |   |
| Program revenues:                  |   |   |
| Charges for services and sales     | \$ 1,234,861                                | \$ 1,208,563                                |
| Operating grants and contributions | 1,625,222                                   | 1,564,299                                   |
| Capital grants and contributions   | 62,339                                      | 32,327                                      |
| General revenues:                  |   |   |
| Property taxes                     | 12,424,557                                  | 12,646,408                                  |
| Grants and entitlements            | 7,369,779                                   | 7,272,608                                   |
| Investment earnings                | 244,396                                     | 255,914                                     |
| Other                              | 33,217                                      | 46,045                                      |
| <b>Total revenues</b>              | <u>22,994,371</u>                           | <u>23,026,164</u>                           |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Change in Net Assets**

|   | Governmental<br>Activities<br><u>2008</u> | Governmental<br>Activities<br><u>2007</u> |
|---|---|---|
| <b><u>Expenses</u></b>                    |   |   |
| Program expenses:                         |   |   |
| Instruction:                              |   |   |
| Regular                                   | 10,809,529                                | 9,965,243                                 |
| Special                                   | 1,075,977                                 | 989,771                                   |
| Vocational                                | 114,443                                   | 220,633                                   |
| Adult                                     | 116,764                                   | 108,094                                   |
| Other                                     | 683                                       | 282                                       |
| Support services:                         |   |   |
| Pupil                                     | 1,429,995                                 | 1,464,030                                 |
| Instructional staff                       | 440,214                                   | 408,226                                   |
| Board of education                        | 31,549                                    | 16,973                                    |
| Administration                            | 1,399,133                                 | 1,405,856                                 |
| Fiscal                                    | 491,853                                   | 505,417                                   |
| Business                                  | 360                                       | 258                                       |
| Operations and maintenance                | 2,097,543                                 | 2,121,452                                 |
| Pupil transportation                      | 979,280                                   | 971,879                                   |
| Central                                   | 7,925                                     | 8,544                                     |
| Operations of non-instructional services: |   |   |
| Food service operations                   | 831,457                                   | 818,122                                   |
| Other non-instructional services          | 371,887                                   | 405,696                                   |
| Extracurricular activities                | 686,622                                   | 694,446                                   |
| Interest and fiscal charges               | <u>437,402</u>                            | <u>407,703</u>                            |
| Total expenses                            | <u>21,322,616</u>                         | <u>20,512,625</u>                         |
| Change in net assets                      | 1,671,755                                 | 2,513,539                                 |
| Net assets at beginning of year (deficit) | <u>1,083,760</u>                          | <u>(1,429,779)</u>                        |
| Net assets at end of year                 | <u>\$ 2,755,515</u>                       | <u>\$ 1,083,760</u>                       |

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,671,755. Total governmental expenses of \$21,322,616 were offset by program revenues of \$2,922,422 and general revenues of \$20,071,949. Program revenues supported 13.71% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 86.08% of total governmental revenue. Real estate property is reappraised every six years.

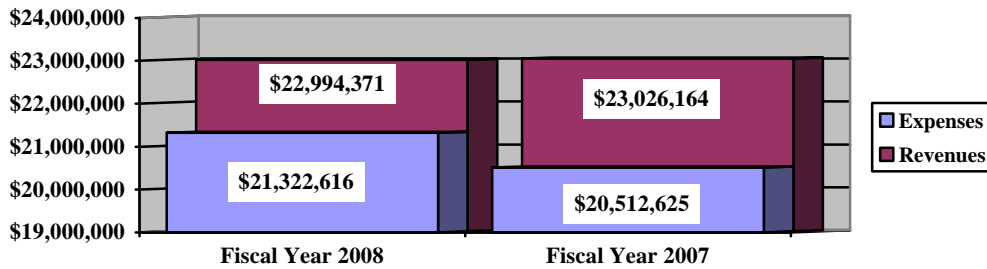
**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$12,117,396 or 56.83% of total governmental expenses for fiscal year 2008.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table 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 grants and entitlements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Governmental Activities**

|   | Total Cost of<br>Services<br><u>2008</u> | Net Cost of<br>Services<br><u>2008</u> | Total Cost of<br>Services<br><u>2007</u> | Net Cost of<br>Services<br><u>2007</u> |
|---|--|--|--|--|
| <b>Program expenses</b>                   |  |  |  |  |
| Instruction:                              |  |  |  |  |
| Regular                                   | \$ 10,809,529                            | \$ 10,652,522                          | \$ 9,965,243                             | \$ 9,815,765                           |
| Special                                   | 1,075,977                                | 451,487                                | 989,771                                  | 537,631                                |
| Vocational                                | 114,443                                  | 104,436                                | 220,633                                  | 207,093                                |
| Adult                                     | 116,764                                  | 116,764                                | 108,094                                  | 108,094                                |
| Other                                     | 683                                      | (102,166)                              | 282                                      | (112,353)                              |
| Support services:                         |  |  |  |  |
| Pupil                                     | 1,429,995                                | 1,316,017                              | 1,464,030                                | 1,298,550                              |
| Instructional staff                       | 440,214                                  | 417,916                                | 408,226                                  | 375,819                                |
| Board of education                        | 31,549                                   | 31,549                                 | 16,973                                   | 16,973                                 |
| Administration                            | 1,399,133                                | 1,259,673                              | 1,405,856                                | 1,242,817                              |
| Fiscal                                    | 491,853                                  | 473,853                                | 505,417                                  | 487,417                                |
| Business                                  | 360                                      | 360                                    | 258                                      | 258                                    |
| Operations and maintenance                | 2,097,543                                | 2,078,490                              | 2,121,452                                | 2,121,452                              |
| Pupil transportation                      | 979,280                                  | 782,219                                | 971,879                                  | 799,335                                |
| Central                                   | 7,925                                    | 4,867                                  | 8,544                                    | 5,244                                  |
| Operations of non-instructional services: |  |  |  |  |
| Food service operations                   | 831,457                                  | (27,297)                               | 818,122                                  | 34,703                                 |
| Other non-instructional services          | 371,887                                  | 23,313                                 | 405,696                                  | (25,982)                               |
| Extracurricular activities                | 686,622                                  | 378,789                                | 694,446                                  | 386,917                                |
| Interest and fiscal charges               | <u>437,402</u>                           | <u>437,402</u>                         | <u>407,703</u>                           | <u>407,703</u>                         |
| Total expenses                            | <u>\$ 21,322,616</u>                     | <u>\$ 18,400,194</u>                   | <u>\$ 20,512,625</u>                     | <u>\$ 17,707,436</u>                   |

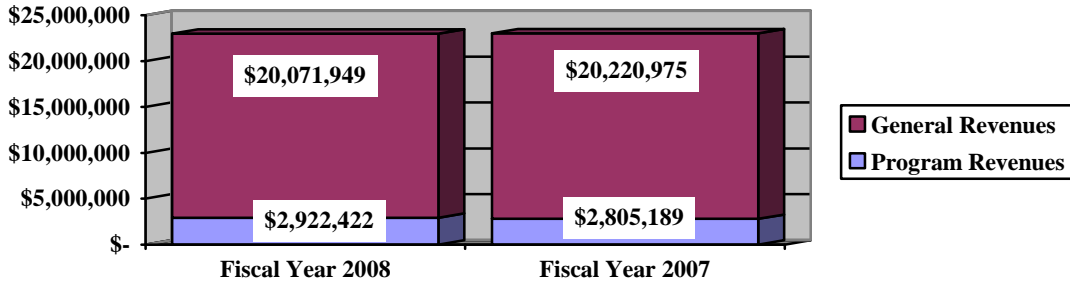
The dependence upon tax and other general revenues for governmental activities is apparent, 92.62% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.29%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$5,799,905, which is higher than last year's total of \$1,516,576. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

|                    | Fund Balance<br>(Deficit)<br><u>June 30, 2008</u> | Fund Balance<br>(Deficit)<br><u>June 30, 2007</u> | <u>Increase</u>     |
|--------------------|---|---|---------------------|
| General            | \$ 2,516,101                                      | \$ 1,336,533                                      | \$ 1,179,568        |
| Bond Retirement    | 1,111,637   | 1,047,710   | 63,927              |
| Building           | 2,975,360   | -   | 2,975,360           |
| Other Governmental | <u>(803,193)</u>                                  | <u>(867,667)</u>                                  | <u>64,474</u>       |
| Total              | <u>\$ 5,799,905</u>                               | <u>\$ 1,516,576</u>                               | <u>\$ 4,283,329</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

***General Fund***

The District's general fund balance increased \$1,179,568. The increase in fund balance can be attributed to intergovernmental revenue increases. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

|                            | <u>2008</u><br><u>Amount</u> | <u>2007</u><br><u>Amount</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------|------------------------------|------------------------------|------------------------------------|
| <b><u>Revenues</u></b>     |                              |                              |                                    |
| Taxes                      | \$ 11,345,555                | \$ 11,383,402                | (0.33) %                           |
| Earnings on investments    | 244,174                      | 255,914                      | (4.59) %                           |
| Intergovernmental          | 7,704,231                    | 7,611,621                    | 1.22 %                             |
| Other revenues             | <u>159,560</u>               | <u>146,467</u>               | 8.94 %                             |
| Total                      | <u>\$ 19,453,520</u>         | <u>\$ 19,397,404</u>         | 0.29 %                             |
| <b><u>Expenditures</u></b> |                              |                              |                                    |
| Instruction                | \$ 11,298,224                | \$ 11,362,307                | (0.56) %                           |
| Support services           | 6,599,483                    | 6,467,877                    | 2.03 %                             |
| Extracurricular activities | <u>376,245</u>               | <u>355,489</u>               | 5.84 %                             |
| Total                      | <u>\$ 18,273,952</u>         | <u>\$ 18,185,673</u>         | 0.49 %                             |

Investment income decreased 4.59%, mostly due to the decrease in the amount of funds available to invest and a decrease in interest rates by the Federal Reserve Bank. Other revenues increased 8.94%, primarily due to an increase in revenues generated by programs offered by the District to other governments, entities and organizations.

***Bond Retirement Fund***

The District's bond retirement fund had \$834,501 in revenues and \$770,574 in expenditures. During fiscal year 2008, the fund balance of the bond retirement fund increased \$63,927 from \$1,047,710 to \$1,111,637.

***Building Fund***

The District's building fund had \$3,000,222 in revenues and other financing sources and \$24,862 in expenditures. During fiscal year 2008, fund balance of the building fund increased by \$2,975,360 from zero to \$2,975,360.

***General Fund Budgeting Highlights***

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

During fiscal year 2008, the District amended its general fund budget numerous times. General fund original budgeted revenues and other financing sources were \$19,303,655. Final budgeted revenues and other financing sources were \$21,575,821, an increase of \$2,272,166 over original budgeted revenues. Actual revenues and other financing sources were \$19,436,569, a decrease of \$2,139,252 from final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

General fund original budgeted expenditures and other financing uses were \$22,846,887. Final budgeted expenditures and other financing uses were \$23,137,163, an increase of \$290,276 over the original budgeted expenditures. Actual expenditures and other financing uses were \$18,324,912, a decrease of \$4,812,251 from the final budgeted expenditures.

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2008, the District had \$10,089,080 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. The following table shows the 2008 balances compared to 2007:

| <b>Capital Assets at June 30<br/>(Net of Depreciation)</b> |                      |                      |
|--|----------------------|----------------------|
| <u>Governmental Activities</u>                             |                      |                      |
|  | <u>2008</u>          | <u>2007</u>          |
| Land   | \$ 304,780           | \$ 304,780           |
| Land improvements  | 169,140              | 210,584              |
| Building and improvements                                  | 8,379,857            | 8,566,025            |
| Furniture and equipment                                    | 597,764              | 637,175              |
| Vehicles   | <u>637,539</u>       | <u>416,788</u>       |
| Total  | <u>\$ 10,089,080</u> | <u>\$ 10,135,352</u> |

The primary increase occurred in vehicles. Total additions to capital assets for 2008 were \$368,412. The District recorded \$399,302 in depreciation expense for fiscal 2008. See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2008, the District had \$12,802,026 in general obligation bonds, energy conservation notes and lease purchase obligations, \$685,963 due within one year and \$12,116,063 due in more than one year. The following table shows the 2008 balances compared to 2007.

| <b>Outstanding Debt, at Year End</b> |   |   |
|--------------------------------------|---|---|
|                                      | <u>Governmental<br/>Activities<br/>2008</u> | <u>Governmental<br/>Activities<br/>2007</u> |
| General obligation bonds             | \$ 4,113,439                                | \$ 4,485,119                                |
| Energy conservation notes            | 981,487                                     | 1,114,569                                   |
| Lease obligations                    | <u>7,707,100</u>                            | <u>4,853,749</u>                            |
| Total                                | <u>\$ 12,802,026</u>                        | <u>\$ 10,453,437</u>                        |

See Note 9 to the basic financial statements for additional information on the District's debt administration.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Current Financial Related Activities**

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District is in a situation where an operating levy may have to be passed by District voters in 2010 in order for the District to obtain the necessary funds to meet its operating expenses in fiscal year 2011.

The District is completing various construction projects undertaken through Phase IV. Approximately \$3.0 million in school renovations were scheduled under the Phase IV project. All construction projects should be completed by the end of fiscal year 2010.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In conclusion, the District has committed itself to financial excellence for many years. The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Donald Stanovcak, Treasurer, Poland Local School District, 3199 Dobbins Road, Poland, Ohio 44514.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>Assets:</b>                                      |                                    |
| Equity in pooled cash and cash equivalents. . . . . | \$ 9,514,293                       |
| Receivables:  |                                    |
| Taxes . . . . .                                     | 12,616,785                         |
| Accounts . . . . .                                  | 562                                |
| Intergovernmental . . . . .                         | 66,551                             |
| Materials and supplies inventory . . . . .          | 17,652                             |
| Unamortized bond issuance costs. . . . .            | 95,692                             |
| Capital assets:                                     |                                    |
| Land and construction in progress. . . . .          | 304,780                            |
| Depreciable capital assets, net . . . . .           | 9,784,300                          |
| Total capital assets, net . . . . .                 | <u>10,089,080</u>                  |
| <br>Total assets. . . . .                           | <br><u>32,400,615</u>              |
| <b>Liabilities:</b>                                 |                                    |
| Accounts payable. . . . .                           | 57,776                             |
| Contracts payable. . . . .                          | 24,394                             |
| Accrued wages and benefits . . . . .                | 2,135,961                          |
| Pension obligation payable. . . . .                 | 422,942                            |
| Intergovernmental payable . . . . .                 | 156,642                            |
| Unearned revenue . . . . .                          | 12,300,578                         |
| Accrued interest payable . . . . .                  | 43,024                             |
| Long-term liabilities:                              |                                    |
| Due within one year. . . . .                        | 828,415                            |
| Due within more than one year . . . . .             | 13,675,368                         |
| <br>Total liabilities . . . . .                     | <br><u>29,645,100</u>              |
| <b>Net Assets:</b>                                  |                                    |
| Invested in capital assets, net                     |                                    |
| of related debt . . . . .                           | 600,027                            |
| Restricted for:                                     |                                    |
| Debt service. . . . .                               | 1,094,990                          |
| State funded programs. . . . .                      | 2,900                              |
| Federally funded programs . . . . .                 | 64,978                             |
| Student activities . . . . .                        | 9,769                              |
| Other purposes . . . . .                            | 85,959                             |
| Unrestricted . . . . .                              | <u>896,892</u>                     |
| <br>Total net assets . . . . .                      | <br><u>\$ 2,755,515</u>            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|  |                      | Program Revenues                     |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|----------------------|--------------------------------------|--|--|--|
| Expenses   |                      | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                               |
| <b>Governmental activities:</b>  |                      |                                      |  |  |  |
| Instruction:   |                      |                                      |  |  |  |
| Regular . . . . .  | \$ 10,809,529        | \$ 104,304                           | \$ 52,703                                | \$ -                                   | \$ (10,652,522)  |
| Special . . . . .  | 1,075,977            | -                                    | 624,490                                  | -                                      | (451,487)  |
| Vocational . . . . .   | 114,443              | -                                    | 10,007                                   | -                                      | (104,436)  |
| Adult/continuing . . . . .   | 116,764              | -                                    | -  | -                                      | (116,764)  |
| Other . . . . .  | 683                  | 102,849                              | -  | -                                      | 102,166  |
| Support services:  |                      |                                      |  |  |  |
| Pupil . . . . .  | 1,429,995            | -                                    | 113,978                                  | -                                      | (1,316,017)  |
| Instructional staff . . . . .  | 440,214              | -                                    | 22,298                                   | -                                      | (417,916)  |
| Board of education . . . . .   | 31,549               | -                                    | -  | -                                      | (31,549)   |
| Administration . . . . .   | 1,399,133            | -                                    | 85,845                                   | 53,615                                 | (1,259,673)  |
| Fiscal . . . . .   | 491,853              | -                                    | 18,000                                   | -                                      | (473,853)  |
| Business . . . . .   | 360                  | -                                    | -  | -                                      | (360)  |
| Operations and maintenance . . . . .                                     | 2,097,543            | 19,053                               | -  | -                                      | (2,078,490)  |
| Pupil transportation . . . . .   | 979,280              | 15,951                               | 172,386                                  | 8,724                                  | (782,219)  |
| Central . . . . .  | 7,925                | -                                    | 3,058                                    | -                                      | (4,867)  |
| Operation of non-instructional services:                                 |                      |                                      |  |  |  |
| Food service operations . . . . .  | 831,457              | 684,871                              | 173,883                                  | -                                      | 27,297   |
| Other non-instructional services . . . . .                               | 371,887              | -                                    | 348,574                                  | -                                      | (23,313)   |
| Extracurricular activities . . . . .                                     | 686,622              | 307,833                              | -  | -                                      | (378,789)  |
| Interest and fiscal charges . . . . .                                    | 437,402              | -                                    | -  | -                                      | (437,402)  |
| Total governmental activities . . . . .                                  | <u>\$ 21,322,616</u> | <u>\$ 1,234,861</u>                  | <u>\$ 1,625,222</u>                      | <u>\$ 62,339</u>                       | <u>(18,400,194)</u>                                      |
| <br><b>General Revenues:</b>   |                      |                                      |  |  |  |
| Property taxes levied for:   |                      |                                      |  |  |  |
| General purposes . . . . .   |                      |                                      |  |  | 11,216,727   |
| Debt service . . . . .   |                      |                                      |  |  | 749,327  |
| Capital projects . . . . .   |                      |                                      |  |  | 458,503  |
| Grants and entitlements not restricted<br>to specific programs . . . . . |                      |                                      |  |  | 7,369,779  |
| Investment earnings . . . . .  |                      |                                      |  |  | 244,396  |
| Miscellaneous . . . . .  |                      |                                      |  |  | 33,217   |
| Total general revenues . . . . .   |                      |                                      |  |  | <u>20,071,949</u>  |
| Change in net assets . . . . .   |                      |                                      |  |  | 1,671,755  |
| <br><b>Net assets</b>  |                      |                                      |  |  |  |
| at beginning of year . . . . .   |                      |                                      |  |  | <u>1,083,760</u>   |
| Net assets at end of year . . . . .                                      |                      |                                      |  |  | <u>\$ 2,755,515</u>                                      |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

|  | <u>General</u>              | <u>Bond<br/>Retirement</u> | <u>Building</u>            | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-----------------------------|----------------------------|----------------------------|---|---|
| <b>Assets:</b>   |                             |                            |                            |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .    | \$ 4,965,694                | \$ 1,111,637               | \$ 2,999,754               | \$ 351,249                              | \$ 9,428,334                            |
| Receivables:   |                             |                            |                            |   |   |
| Taxes . . . . .  | 10,877,180                  | 1,393,917                  | -                          | 345,688                                 | 12,616,785                              |
| Accounts . . . . .   | -                           | -                          | -                          | 562                                     | 562                                     |
| Intergovernmental . . . . .                                | 6,701                       | -                          | -                          | 59,850                                  | 66,551                                  |
| Materials and supplies inventory . . . . .                 | -                           | -                          | -                          | 17,652                                  | 17,652                                  |
| Restricted assets:   |                             |                            |                            |   |   |
| Equity in pooled cash<br>and cash equivalents . . . . .    | 85,959                      | -                          | -                          | -                                       | 85,959                                  |
| <b>Total assets . . . . .</b>                              | <b><u>\$ 15,935,534</u></b> | <b><u>\$ 2,505,554</u></b> | <b><u>\$ 2,999,754</u></b> | <b><u>\$ 775,001</u></b>                | <b><u>\$ 22,215,843</u></b>             |
| <b>Liabilities:</b>  |                             |                            |                            |   |   |
| Accounts payable . . . . .                                 | \$ 32,947                   | \$ -                       | \$ -                       | \$ 24,829                               | \$ 57,776                               |
| Contracts payable . . . . .                                | -                           | -                          | 24,394                     | -                                       | 24,394                                  |
| Accrued wages and benefits . . . . .                       | 2,002,815                   | -                          | -                          | 133,146                                 | 2,135,961                               |
| Pension obligation payable . . . . .                       | 357,752                     | -                          | -                          | 65,190                                  | 422,942                                 |
| Intergovernmental payable . . . . .                        | 148,739                     | -                          | -                          | 7,903                                   | 156,642                                 |
| Deferred revenue . . . . .                                 | 294,436                     | 13,995                     | -                          | 27,727                                  | 336,158                                 |
| Unearned revenue . . . . .                                 | 10,582,744                  | 1,379,922                  | -                          | 337,912                                 | 12,300,578                              |
| Energy conservation notes payable . . . . .                | -                           | -                          | -                          | 981,487                                 | 981,487                                 |
| <b>Total liabilities . . . . .</b>                         | <b><u>13,419,433</u></b>    | <b><u>1,393,917</u></b>    | <b><u>24,394</u></b>       | <b><u>1,578,194</u></b>                 | <b><u>16,415,938</u></b>                |
| <b>Fund Balances:</b>                                      |                             |                            |                            |   |   |
| Reserved for encumbrances . . . . .                        | 53,246                      | -                          | 349,421                    | 88,078                                  | 490,745                                 |
| Reserved for materials and<br>supplies inventory . . . . . | -                           | -                          | -                          | 17,652                                  | 17,652                                  |
| Reserved for debt service . . . . .                        | -                           | 1,111,637                  | -                          | -                                       | 1,111,637                               |
| Reserved for school bus purchases . . . . .                | 8,724                       | -                          | -                          | -                                       | 8,724                                   |
| Reserved for BWC refunds . . . . .                         | 77,235                      | -                          | -                          | -                                       | 77,235                                  |
| Unreserved:  |                             |                            |                            |   |   |
| Designated for budget stabilization . . . . .              | 247,765                     | -                          | -                          | -                                       | 247,765                                 |
| Undesignated (deficit), reported in:                       |                             |                            |                            |   |   |
| General fund . . . . .                                     | 2,129,131                   | -                          | -                          | -                                       | 2,129,131                               |
| Special revenue funds . . . . .                            | -                           | -                          | -                          | 62,936                                  | 62,936                                  |
| Capital projects funds . . . . .                           | -                           | -                          | 2,625,939                  | (971,859)                               | 1,654,080                               |
| <b>Total fund balances (deficit) . . . . .</b>             | <b><u>2,516,101</u></b>     | <b><u>1,111,637</u></b>    | <b><u>2,975,360</u></b>    | <b><u>(803,193)</u></b>                 | <b><u>5,799,905</u></b>                 |
| <b>Total liabilities and fund balances . . . . .</b>       | <b><u>\$ 15,935,534</u></b> | <b><u>\$ 2,505,554</u></b> | <b><u>\$ 2,999,754</u></b> | <b><u>\$ 775,001</u></b>                | <b><u>\$ 22,215,843</u></b>             |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

|  |    |             |              |
|--|----|-------------|--------------|
| <b>Total governmental fund balances</b>  |    | \$          | 5,799,905    |
| <i>Amounts reported for governmental activities on 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.                    |    |             | 10,089,080   |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.                   |    |             |              |
| Taxes  | \$ | 316,207     |              |
| Intergovernmental revenue  |    | 19,951      |              |
| Total  |    |             | 336,158      |
| Unamortized bond issuance costs are not recognized in the funds.   |    |             | 95,692       |
| Unamortized deferred charges on advance refundings are not recognized in the funds.  |    |             | 178,549      |
| Unamortized premiums on bond issuances are not recognized in the funds.  |    |             | (274,242)    |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.                          |    |             | (43,024)     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. |    |             |              |
| General obligation bonds   |    | (4,113,439) |              |
| Lease purchase agreement   |    | (7,707,100) |              |
| Compensated absences   |    | (1,606,064) |              |
| Total  |    |             | (13,426,603) |
| <b>Net assets of governmental activities</b>   |    | \$          | 2,755,515    |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|  | <u>General</u>      | <u>Bond<br/>Retirement</u> | <u>Building</u>     | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|----------------------------|---------------------|---|---|
| <b>Revenues:</b>                                       |                     |                            |                     |   |   |
| From local sources:                                    |                     |                            |                     |   |   |
| Taxes . . . . .  | \$ 11,345,555       | \$ 756,111                 | \$ -                | \$ 458,595                              | \$ 12,560,261                           |
| Tuition . . . . .                                      | -                   | -                          | -                   | 102,849                                 | 102,849                                 |
| Transportation fees . . . . .                          | 15,951              | -                          | -                   | -                                       | 15,951                                  |
| Charges for services . . . . .                         | -                   | -                          | -                   | 684,871                                 | 684,871                                 |
| Earnings on investments . . . . .                      | 244,174             | -                          | 222                 | -                                       | 244,396                                 |
| Extracurricular . . . . .                              | -                   | -                          | -                   | 307,833                                 | 307,833                                 |
| Classroom materials and fees . . . . .                 | 104,304             | -                          | -                   | -                                       | 104,304                                 |
| Other local revenues . . . . .                         | 39,305              | -                          | -                   | 13,696                                  | 53,001                                  |
| Intergovernmental - state . . . . .                    | 7,704,231           | 78,390                     | -                   | 402,457                                 | 8,185,078                               |
| Intergovernmental - federal . . . . .                  | -                   | -                          | -                   | 910,201                                 | 910,201                                 |
| Total revenue . . . . .                                | <u>19,453,520</u>   | <u>834,501</u>             | <u>222</u>          | <u>2,880,502</u>                        | <u>23,168,745</u>                       |
| <b>Expenditures:</b>                                   |                     |                            |                     |   |   |
| Current:   |                     |                            |                     |   |   |
| Instruction:   |                     |                            |                     |   |   |
| Regular . . . . .                                      | 10,393,066          | -                          | -                   | 58,262                                  | 10,451,328                              |
| Special . . . . .                                      | 778,878             | -                          | -                   | 287,335                                 | 1,066,213                               |
| Vocational . . . . .                                   | 125,597             | -                          | -                   | -                                       | 125,597                                 |
| Adult/continuing . . . . .                             | -                   | -                          | -                   | 116,764                                 | 116,764                                 |
| Other . . . . .  | 683                 | -                          | -                   | -                                       | 683                                     |
| Support Services:                                      |                     |                            |                     |   |   |
| Pupil . . . . .  | 1,283,018           | -                          | -                   | 135,981                                 | 1,418,999                               |
| Instructional staff . . . . .                          | 366,606             | -                          | -                   | 51,069                                  | 417,675                                 |
| Board of education . . . . .                           | 31,549              | -                          | -                   | -                                       | 31,549                                  |
| Administration . . . . .                               | 1,284,440           | 10,908                     | -                   | 105,144                                 | 1,400,492                               |
| Fiscal . . . . .                                       | 469,799             | -                          | -                   | 18,000                                  | 487,799                                 |
| Business . . . . .                                     | 360                 | -                          | -                   | -                                       | 360                                     |
| Operations and maintenance . . . . .                   | 2,141,694           | -                          | -                   | -                                       | 2,141,694                               |
| Pupil transportation . . . . .                         | 1,017,481           | -                          | -                   | 164,788                                 | 1,182,269                               |
| Central . . . . .                                      | 4,536               | -                          | -                   | 3,389                                   | 7,925                                   |
| Operation of non-instructional services:               |                     |                            |                     |   |   |
| Food service operations . . . . .                      | -                   | -                          | -                   | 830,003                                 | 830,003                                 |
| Other non-instructional services . . . . .             | 376,245             | -                          | -                   | 379,000                                 | 755,245                                 |
| Extracurricular activities . . . . .                   | -                   | -                          | -                   | 320,531                                 | 320,531                                 |
| Facilities acquisition and construction . . . . .      | -                   | -                          | 24,862              | 167,315                                 | 192,177                                 |
| Debt service:  |                     |                            |                     |   |   |
| Principal retirement . . . . .                         | -                   | 459,578                    | -                   | 137,071                                 | 596,649                                 |
| Interest and fiscal charges . . . . .                  | -                   | 300,088                    | -                   | 52,715                                  | 352,803                                 |
| Total expenditures . . . . .                           | <u>18,273,952</u>   | <u>770,574</u>             | <u>24,862</u>       | <u>2,827,367</u>                        | <u>21,896,755</u>                       |
| Excess of revenues over (under) expenditures . . . . . | <u>1,179,568</u>    | <u>63,927</u>              | <u>(24,640)</u>     | <u>53,135</u>                           | <u>1,271,990</u>                        |
| <b>Other financing sources (uses):</b>                 |                     |                            |                     |   |   |
| Lease proceeds . . . . .                               | -                   | -                          | 3,000,000           | -                                       | 3,000,000                               |
| Total other financing sources (uses) . . . . .         | <u>-</u>            | <u>-</u>                   | <u>3,000,000</u>    | <u>-</u>                                | <u>3,000,000</u>                        |
| Net change in fund balances . . . . .                  | 1,179,568           | 63,927                     | 2,975,360           | 53,135                                  | 4,271,990                               |
| <b>Fund balances (deficit)</b>                         |                     |                            |                     |   |   |
| at beginning of year . . . . .                         | 1,336,533           | 1,047,710                  | -                   | (867,667)                               | 1,516,576                               |
| Increase in reserve for inventory . . . . .            | -                   | -                          | -                   | 11,339                                  | 11,339                                  |
| Fund balances (deficit) at end of year . . . . .       | <u>\$ 2,516,101</u> | <u>\$ 1,111,637</u>        | <u>\$ 2,975,360</u> | <u>\$ (803,193)</u>                     | <u>\$ 5,799,905</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

|  |           |                  |
|--|-----------|------------------|
| <b>Net change in fund balances - total governmental funds</b>  | \$        | 4,271,990        |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i>  |           |                  |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$399,302) exceeds capital outlays (\$368,412) in the current period. |           | (30,890)         |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.  |           | (15,382)         |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |           | (174,374)        |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.  |           | 11,339           |
| Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.   |           | 596,649          |
| Unamortized bond issuance costs are not recognized in the funds.   |           | (6,638)          |
| Unamortized deferred charges on advance refundings are not recognized in the funds.  |           | (12,385)         |
| Unamortized premiums on bond issuances are not recognized in the funds.  |           | 19,022           |
| In the statement of activities, interest is accreted and accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.   |           | (84,598)         |
| Lease-purchase transactions are recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.   |           | (3,000,000)      |
| 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.   |           | 97,022           |
| <b>Change in net assets of governmental activities</b>   | <u>\$</u> | <u>1,671,755</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                     |   |
| <b>Revenues:</b>  |                         |                     |                     |   |
| From local sources:   |                         |                     |                     |   |
| Taxes . . . . .   | \$ 11,267,971           | \$ 12,594,284       | \$ 11,345,555       | \$ (1,248,729)  |
| Transportation fees. . . . .  | 15,842                  | 17,707              | 15,951              | (1,756)   |
| Earnings on investments. . . . .                                      | 243,100                 | 271,715             | 244,774             | (26,941)  |
| Classroom materials and fees . . . . .                                | 92,621                  | 103,523             | 93,259              | (10,264)  |
| Other local revenues. . . . .   | 30,156                  | 33,706              | 30,364              | (3,342)   |
| Intergovernmental - State . . . . .                                   | 7,644,892               | 8,544,745           | 7,697,530           | (847,215)   |
| Total revenue . . . . .   | <u>19,294,582</u>       | <u>21,565,680</u>   | <u>19,427,433</u>   | <u>(2,138,247)</u>  |
| <b>Expenditures:</b>  |                         |                     |                     |   |
| Current:  |                         |                     |                     |   |
| Instruction:  |                         |                     |                     |   |
| Regular . . . . .   | 12,994,604              | 13,159,703          | 10,422,644          | 2,737,059   |
| Special. . . . .  | 958,668                 | 970,848             | 768,923             | 201,925   |
| Vocational. . . . .   | 166,010                 | 168,120             | 133,153             | 34,967  |
| Other . . . . .   | 851                     | 862                 | 683                 | 179   |
| Support Services:   |                         |                     |                     |   |
| Pupil. . . . .  | 1,596,743               | 1,617,030           | 1,280,707           | 336,323   |
| Instructional staff . . . . .   | 454,651                 | 460,427             | 364,664             | 95,763  |
| Board of education . . . . .  | 39,321                  | 39,820              | 31,538              | 8,282   |
| Administration. . . . .   | 1,599,695               | 1,620,020           | 1,283,075           | 336,945   |
| Fiscal . . . . .  | 602,861                 | 610,521             | 483,540             | 126,981   |
| Business . . . . .  | 449                     | 455                 | 360                 | 95  |
| Operations and maintenance. . . . .                                   | 2,699,338               | 2,733,634           | 2,165,071           | 568,563   |
| Pupil transportation . . . . .  | 1,265,012               | 1,281,084           | 1,014,634           | 266,450   |
| Central. . . . .  | 5,499                   | 5,568               | 4,410               | 1,158   |
| Extracurricular activities. . . . .                                   | 456,453                 | 462,253             | 366,110             | 96,143  |
| Total expenditures . . . . .  | <u>22,840,155</u>       | <u>23,130,345</u>   | <u>18,319,512</u>   | <u>4,810,833</u>  |
| Excess (deficiency) of revenues over (under)<br>expenditures. . . . . | <u>(3,545,573)</u>      | <u>(1,564,665)</u>  | <u>1,107,921</u>    | <u>2,672,586</u>  |
| <b>Other financing sources/(uses):</b>                                |                         |                     |                     |   |
| Transfers in . . . . .  | -                       | -                   | -                   | -   |
| Transfers (out) . . . . .   | (6,732)                 | (6,818)             | (5,400)             | 1,418   |
| Proceeds from sale of assets . . . . .                                | 8,988                   | 10,046              | 9,050               | (996)   |
| Refund of prior year expenditure . . . . .                            | 85                      | 95                  | 86                  | (9)   |
| Total other financing sources . . . . .                               | <u>2,341</u>            | <u>3,323</u>        | <u>3,736</u>        | <u>413</u>  |
| Net change in fund balance . . . . .                                  | (3,543,232)             | (1,561,342)         | 1,111,657           | 2,672,999   |
| <b>Fund balance at beginning of year . . . . .</b>                    | 3,833,327               | 3,833,327           | 3,833,327           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                 | 35,689                  | 35,689              | 35,689              | -   |
| <b>Fund balance at end of year . . . . .</b>                          | <u>\$ 325,784</u>       | <u>\$ 2,307,674</u> | <u>\$ 4,980,673</u> | <u>\$ 2,672,999</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

|  | <b>Private-Purpose<br/>Trust</b> |               |
|--|----------------------------------|---------------|
|  | <b>Scholarship</b>               | <b>Agency</b> |
| <b>Assets:</b>   |                                  |               |
| Equity in pooled cash<br>and cash equivalents. . . . . | \$ 14,299                        | \$ 52,169     |
| Total assets . . . . .                                 | 14,299                           | \$ 52,169     |
| <b>Liabilities:</b>                                    |                                  |               |
| Accounts payable. . . . .                              | -                                | \$ 370        |
| Due to students . . . . .                              | -                                | 51,799        |
| Total liabilities . . . . .                            | -                                | \$ 52,169     |
| <b>Net Assets:</b>                                     |                                  |               |
| Held in trust for scholarships . . . . .               | 14,299                           |               |
| Total net assets . . . . .                             | \$ 14,299                        |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

|  | <b>Private-Purpose<br/>Trust</b> |
|--|----------------------------------|
|  | <b>Scholarship</b>               |
| <b>Additions:</b>                                |                                  |
| Interest . . . . .                               | \$ 655                           |
| Total additions. . . . .                         | 655                              |
| <b>Reductions:</b>                               |                                  |
| Scholarships awarded . . . . .                   | 700                              |
| Change in net assets . . . . .                   | (45)                             |
| <b>Net assets at beginning of year . . . . .</b> | <b>14,344</b>                    |
| <b>Net assets at end of year. . . . .</b>        | <b>\$ 14,299</b>                 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The Poland Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the village of Poland and portions of surrounding townships.

The District is the 211th largest in the State of Ohio (among the 896 public school districts and community schools in the State) in terms of enrollment. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District is staffed by 143 certified and 126 classified personnel to provide services to approximately 2,336 students and other community members.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a Council of Governments, is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge, which was \$44 for fiscal year 2008. The District paid \$102,784 to ACCESS during fiscal year 2008. ACCESS is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All revenues of ACCESS are generated from charges for services and State funding.

Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Springfield Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*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 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - A fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds or loans, shall be paid into this fund.

*Building fund* - A fund used to account for the receipts and expenditures related to special bond funds in the District. Proceeds from the sale of bonds, notes, or certificates of indebtedness, except premiums and accrued interest, are paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities, including real property.

The other governmental funds of the District account for (a) financial resources to be used for the acquisition, construction or improvement of capital facilities; (b) activity relating to the repayment of general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose and; (d) food service and uniform school supplies operations.

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

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

**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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Nonexchange transactions, in which the 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 5).

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 District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for rate determination.

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate of estimated resources saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

During fiscal year 2008, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 \$244,174, which includes \$42,587 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated food and purchased food.

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. For fiscal year 2008, the District maintained a capitalization threshold of \$2,500. The 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.

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

| <u>Description</u>         | Governmental<br>Activities<br><u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements          | 20 years   |
| Buildings and improvements | 20 - 50 years  |
| Equipment and furniture    | 5 - 20 years   |
| Vehicles                   | 5 - 10 years   |

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, any employee at least 50 years old with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences 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 year. Bonds are recognized as a liability on the fund financial statements when due.

**K. Fund Balance Reserves**

The District reserves those portions of fund equity 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, materials and supplies inventory, debt service, school bus purchases, BWC refunds, and a fund equity designation has been established for budget stabilization.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**N. Estimates**

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

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**O. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside for Bureau of Workers' Compensation (BWC) refunds. See Note 15 for details.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic 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. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting 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 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**POLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

| <u>Nonmajor governmental funds</u> | <u>Deficit</u> |
|------------------------------------|----------------|
| Food service                       | \$ 31,590      |
| Management information system      | 1,546          |
| Title I disadvantaged children     | 2,218          |
| Drug free school grant             | 865            |
| Improving teacher quality          | 5,375          |
| Permanent improvement              | 943,649        |

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$75 in undeposited cash on hand which is included on the financial statements of the District as part of "equity on pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$4,042,949. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$200,000 of the District's bank balance of \$4,232,809 was covered by the Federal Deposit Insurance Corporation, while \$4,032,809 was exposed to custodial risk as discussed below.

**POLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2008, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u>   | <u>Investment Maturities</u><br><u>6 months or less</u> |
|------------------------|---------------------|---|
| STAR Ohio              | \$ 5,537,737        | \$ 5,537,737  |
| Total                  | <u>\$ 5,537,737</u> | <u>\$ 5,537,737</u>                                     |

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk by requiring the consideration of cash flow requirements and market conditions in determining the term of an investment, and limiting investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*Concentration of Credit Risk:* The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

| <u>Investment type</u> | <u>Fair Value</u>   | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| STAR Ohio              | \$ 5,537,737        | 100.00            |
| Total                  | <u>\$ 5,537,737</u> | <u>100.00</u>     |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

|   |                     |
|---|---------------------|
| <u>Cash and investments per note disclosure</u>             |                     |
| Carrying amount of deposits                                 | \$ 4,042,949        |
| Investments   | 5,537,737           |
| Cash on hand  | <u>75</u>           |
| Total   | <u>\$ 9,580,761</u> |
| <br><u>Cash and investments per statement of net assets</u> |                     |
| Governmental activities                                     | \$ 9,514,293        |
| Private-purpose trust funds                                 | 14,299              |
| Agency funds  | <u>52,169</u>       |
| Total   | <u>\$ 9,580,761</u> |

**NOTE 5 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the 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 District. Real property tax revenue received in calendar year 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 year 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 year 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 as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the 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 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 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 unearned revenue.

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

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

|                                  | 2007 Second<br>Half Collections |                | 2008 First<br>Half Collections |                |
|----------------------------------|---------------------------------|----------------|--------------------------------|----------------|
|                                  | <u>Amount</u>                   | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Real property                    | \$ 363,239,450                  | 95.45          | \$ 367,020,910                 | 96.57          |
| Public utility personal property | 10,609,300                      | 2.79           | 9,697,040                      | 2.55           |
| Tangible personal property       | <u>6,693,626</u>                | <u>1.76</u>    | <u>3,346,813</u>               | <u>0.88</u>    |
| Total assessed valuation         | <u>\$ 380,542,376</u>           | <u>100.00</u>  | <u>\$ 380,064,763</u>          | <u>100.00</u>  |
| Tax rate per \$1,000             |                                 |                |                                |                |
| of assessed valuation:           |                                 |                |                                |                |
| General operations               |                                 | \$48.90        |                                | \$48.30        |
| Bonded debt                      |                                 | 1.80           |                                | 1.80           |
| Permanent improvement            |                                 | 1.00           |                                | 1.00           |

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. 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 year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - RECEIVABLES - (Continued)**

**Governmental activities**

|                   |                             |
|-------------------|-----------------------------|
| Taxes             | \$ 12,616,785               |
| Accounts          | 562                         |
| Intergovernmental | <u>66,551</u>               |
| <b>Total</b>      | <b><u>\$ 12,683,898</u></b> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 7 - CAPITAL ASSETS**

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

|  | <u>Balance</u>              |                           | <u>Balance</u>              |
|--|-----------------------------|---------------------------|-----------------------------|
| <b><u>Governmental activities:</u></b>             | <u>06/30/07</u>             | <u>Additions</u>          | <u>06/30/08</u>             |
|  |                             | <u>Deletions</u>          |                             |
| <i>Capital assets, not being depreciated:</i>      |                             |                           |                             |
| Land   | \$ 304,780                  | \$ -                      | \$ 304,780                  |
| <b>Total capital assets, not being depreciated</b> | <u>304,780</u>              | <u>-</u>                  | <u>304,780</u>              |
| <i>Capital assets, being depreciated:</i>          |                             |                           |                             |
| Land improvements                                  | 1,140,893                   | -                         | 1,140,893                   |
| Buildings and improvements                         | 14,457,970                  | -                         | 14,457,970                  |
| Equipment and furniture                            | 1,802,609                   | 54,516                    | 1,857,125                   |
| Vehicles   | <u>1,359,679</u>            | <u>313,896</u>            | <u>1,519,754</u>            |
| <b>Total capital assets, being depreciated</b>     | <u>18,761,151</u>           | <u>368,412</u>            | <u>18,975,742</u>           |
| <i>Less: accumulated depreciation:</i>             |                             |                           |                             |
| Land improvements                                  | (930,309)                   | (41,444)                  | (971,753)                   |
| Buildings and improvements                         | (5,891,945)                 | (186,168)                 | (6,078,113)                 |
| Equipment and furniture                            | (1,165,434)                 | (93,927)                  | (1,259,361)                 |
| Vehicles   | <u>(942,891)</u>            | <u>(77,763)</u>           | <u>(882,215)</u>            |
| <b>Total accumulated depreciation</b>              | <u>(8,930,579)</u>          | <u>(399,302)</u>          | <u>(9,191,442)</u>          |
| <b>Total capital assets, net</b>                   | <b><u>\$ 10,135,352</u></b> | <b><u>\$ (30,890)</u></b> | <b><u>\$ 10,089,080</u></b> |

**POLAND LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

|                            |                   |
|----------------------------|-------------------|
| <u>Instruction:</u>        |                   |
| Regular                    | \$ 267,724        |
| Special                    | 3,857             |
| Vocational                 | 7,716             |
| <u>Support Services:</u>   |                   |
| Pupil                      | 2,342             |
| Instructional staff        | 9,573             |
| Administration             | 4,759             |
| Operations and maintenance | 7,078             |
| Pupil transportation       | 77,793            |
| Extracurricular activities | 6,961             |
| Food service operations    | <u>11,499</u>     |
| Total depreciation expense | <u>\$ 399,302</u> |

**NOTE 8 - LEASE-PURCHASE AGREEMENT**

On May 1, 2002, the District entered into a \$5,500,000 lease-purchase agreement with First Place Bank to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites.

In fiscal year 2008, the District entered into a \$3,000,000 lease-purchase agreement with Farmers National Bank to finance the eventual construction of a new stadium. The source of revenue to fund the principal and interest payments are derived from general operating revenues of the District. During fiscal year 2008, the District made payments of \$146,649 in principal and \$237,072 in interest on the lease-purchase agreement.

A liability in the amount of the present value of the minimum lease payments has been recorded in the governmental activities of the District. General capital assets consisting of buildings have been capitalized in the governmental activities of the District in the amount of \$5,808,778. This amount includes the costs of the Project funded by the lease-purchase agreement that were incurred as of June 30, 2008.

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the First Place Bank. The District is the lessor and First Place Bank is the lessee under the ground-lease agreement. The ground-lease commenced on May 17, 2002 and terminates on May 1, 2032 or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

**POLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - LEASE-PURCHASE AGREEMENT - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2008.

| Fiscal Year Ending<br><u>June 30,</u>   | <u>Amount</u>       |
|---|---------------------|
| 2009                                    | \$ 646,181          |
| 2010                                    | 646,181             |
| 2011                                    | 646,181             |
| 2012                                    | 646,181             |
| 2013                                    | 646,181             |
| 2014 - 2018                             | 3,243,871           |
| 2019 - 2023                             | 3,250,926           |
| 2024 - 2028                             | <u>1,534,884</u>    |
| Total                                   | 11,260,586          |
| Less: amount representing interest      | <u>(3,553,486)</u>  |
| Present value of minimum lease payments | <u>\$ 7,707,100</u> |

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. The District's long-term obligations during the year consist of the following:

| <u>Governmental activities:</u>        | <u>Balance at</u><br><u>06/30/07</u> | <u>Increases</u>    | <u>Decreases</u>    | <u>Balance at</u><br><u>06/30/08</u> | <u>Amounts Due</u><br><u>In One Year</u> |
|--|--------------------------------------|---------------------|---------------------|--------------------------------------|--|
| <u>General obligation bonds</u>        |                                      |                     |                     |                                      |  |
| Current interest bonds-series 1995     | \$ 465,000                           | \$ -                | \$ (145,000)        | \$ 320,000                           | \$ 155,000                               |
| Current interest bonds-series 1997     | 260,000                              | -                   | (125,000)           | 135,000                              | 135,000                                  |
| Capital appreciation bonds-series 1997 | 34,998                               | -                   | -                   | 34,998                               | -  |
| Accreted interest-series 1997          | 190,788                              | 48,764              | -                   | 239,552                              | -  |
| Current interest bonds-series 2006     | 3,390,000                            | -                   | (180,000)           | 3,210,000                            | 10,000                                   |
| Capital appreciation bonds-series 2006 | 100,000                              | -                   | -                   | 100,000                              | -  |
| Accreted interest-series 2006          | <u>44,333</u>                        | <u>29,556</u>       | <u>-</u>            | <u>73,889</u>                        | <u>-</u>                                 |
| Total general obligation bonds         | <u>\$ 4,485,119</u>                  | <u>\$ 78,320</u>    | <u>\$ (450,000)</u> | <u>\$ 4,113,439</u>                  | <u>\$ 300,000</u>                        |
| Energy conservation notes              | 1,114,569                            | -                   | (133,082)           | 981,487                              | 78,550                                   |
| Lease purchase agreement               | 4,853,749                            | 3,000,000           | (146,649)           | 7,707,100                            | 307,413                                  |
| Compensated absences                   | <u>1,703,086</u>                     | <u>37,167</u>       | <u>(134,189)</u>    | <u>1,606,064</u>                     | <u>142,452</u>                           |
| Total long-term obligations            | <u>\$ 12,156,523</u>                 | <u>\$ 3,115,487</u> | <u>\$ (863,920)</u> | <u>\$ 14,408,090</u>                 | <u>\$ 828,415</u>                        |
| Unamortized premium on bonds           |                                      |                     |                     | 274,242                              |  |
| Deferred loss on advance refunding     |                                      |                     |                     | <u>(178,549)</u>                     |  |
| Total governmental activities          |                                      |                     |                     | <u>\$ 14,503,783</u>                 |  |

**POLAND LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

General Obligation Bonds - Series 1995: The District issued general obligation bonds in 1995 to provide funds for the acquisition and construction of facilities and equipment. The general obligation bonds were issued on September 13, 1995, mature on December 1, 2009, and have a variable interest rate of 4.10% - 5.85%. A portion of these general obligation bonds were advance refunded during fiscal year 2006.

General Obligation Bonds - Series 1997: The District issued general obligation bonds in 1997 to provide funds for the acquisition and construction of facilities and equipment. The general obligation bonds were issued on November 12, 1997, mature on December 1, 2011, and have a variable interest rate of 4.00% - 5.30%. A portion of these general obligation bonds were advance refunded during fiscal year 2006.

General Obligation Bonds - Series 2006: The District issued general obligation bonds in 2006 in order to advance refund a portion of both the General Obligation Bonds - Series 1995 and the General Obligation Bonds - Series 1997. The general obligation bonds were issued on September 1, 2005, mature on December 1, 2022, and have a variable interest rate of 3.00% - 5.00%.

Energy Conservation Notes - Series 1998: The District issued energy conservation notes in 1998 to provide for energy improvements to District buildings. The energy conservation notes were issued on September 25, 1997, matured on October 1, 2007, and had an interest rate of 4.70%.

Energy Conservation Notes - Series 2006: The District issued energy conservation notes in 2006 to provide for energy improvements to District buildings. The energy conservation notes were issued on December 20, 2005, mature on November 1, 2020, and have an interest rate of 4.85%.

Lease Purchase Agreements: See Note 8 for detailed information on the lease-purchase agreements.

Compensated Absences: Compensated absences will be paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

- B.** On September 7, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 1995 Current Interest General Obligation Bonds (principal \$1,480,000) and to advance refund a portion of the Series 1997 Current Interest General Obligation Bonds (principal \$2,405,000). The issuance proceeds of \$4,098,640 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$3,785,000, and capital appreciation bonds, par value \$380,000. The capital appreciation bonds mature December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accreted interest to the redemption date. The present value (as of issue date) reported on the statement of net assets at June 30, 2008 was \$100,000. Total accreted interest of \$73,889 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$213,640. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nineteen years by \$515,910, resulting in an economic gain of \$266,665.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2008 are as follows:

| Fiscal Year Ending<br>June 30, | Current Interest Bonds - Series 1995 |                  |                   |
|--------------------------------|--------------------------------------|------------------|-------------------|
|                                | Principal                            | Interest         | Total             |
| 2009                           | \$ 155,000                           | \$ 13,823        | \$ 168,823        |
| 2010                           | 165,000                              | 4,703            | 169,703           |
| Total                          | <u>\$ 320,000</u>                    | <u>\$ 18,526</u> | <u>\$ 338,526</u> |

| Fiscal Year Ending<br>June 30, | Current Interest Bonds - Series 1997 |                 |                   | Capital Appreciation Bonds - Series 1997 |                   |                   |
|--------------------------------|--------------------------------------|-----------------|-------------------|--|-------------------|-------------------|
|                                | Principal                            | Interest        | Total             | Principal                                | Interest          | Total             |
| 2009                           | \$ 135,000                           | \$ 3,274        | \$ 138,274        | \$ -                                     | \$ -              | \$ -              |
| 2010                           | -                                    | -               | -                 | 12,216                                   | 260,249           | 272,465           |
| 2011                           | -                                    | -               | -                 | 11,532                                   | 260,933           | 272,465           |
| 2012                           | -                                    | -               | -                 | 11,250                                   | 266,215           | 277,465           |
| Total                          | <u>\$ 135,000</u>                    | <u>\$ 3,274</u> | <u>\$ 138,274</u> | <u>\$ 34,998</u>                         | <u>\$ 787,397</u> | <u>\$ 822,395</u> |

| Fiscal Year Ending<br>June 30, | Current Interest Bonds - Series 2006 |                     |                     | Capital Appreciation Bonds - Series 2006 |                   |                   |
|--------------------------------|--------------------------------------|---------------------|---------------------|--|-------------------|-------------------|
|                                | Principal                            | Interest            | Total               | Principal                                | Interest          | Total             |
| 2009                           | \$ 10,000                            | \$ 139,800          | \$ 149,800          | \$ -                                     | \$ -              | \$ -              |
| 2010                           | 25,000                               | 139,231             | 164,231             | -  | -                 | -                 |
| 2011                           | 215,000                              | 135,063             | 350,063             | -  | -                 | -                 |
| 2012                           | 220,000                              | 127,450             | 347,450             | -  | -                 | -                 |
| 2013                           | 330,000                              | 117,825             | 447,825             | -  | -                 | -                 |
| 2014 - 2018                    | 1,305,000                            | 424,376             | 1,729,376           | 100,000                                  | 280,000           | 380,000           |
| 2019 - 2023                    | 1,105,000                            | 146,875             | 1,251,875           | -  | -                 | -                 |
| Total                          | <u>\$ 3,210,000</u>                  | <u>\$ 1,230,620</u> | <u>\$ 4,440,620</u> | <u>\$ 100,000</u>                        | <u>\$ 280,000</u> | <u>\$ 380,000</u> |

| Fiscal Year Ending<br>June 30, | Energy Conservation Notes - Series 2006 |                   |                     |
|--------------------------------|---|-------------------|---------------------|
|                                | Principal                               | Interest          | Total               |
| 2009                           | \$ 78,550                               | \$ 46,650         | \$ 125,200          |
| 2010                           | 78,550                                  | 42,840            | 121,390             |
| 2011                           | 78,550                                  | 39,030            | 117,580             |
| 2012                           | 78,550                                  | 35,221            | 113,771             |
| 2013                           | 78,550                                  | 31,411            | 109,961             |
| 2014 - 2018                    | 392,750                                 | 99,910            | 492,660             |
| 2019 - 2021                    | 195,987                                 | 14,239            | 210,226             |
| Total                          | <u>\$ 981,487</u>                       | <u>\$ 309,301</u> | <u>\$ 1,290,788</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**D. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2008, are a legal voted debt margin of \$39,125,780 (including available funds of \$1,111,637), a legal unvoted debt margin of \$376,674, and a legal energy conservation debt margin of \$2,408,583.

**NOTE 10 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**B. Employee Group Health Insurance**

The District pays insurance premiums for all full-time employees, less a 5% co-pay paid by the employee. For part-time employees, premiums paid by the District are based on a percentage worked.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$210,879, \$243,726, and \$230,071, respectively; 44.99 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 11 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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. 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 credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,187,199, \$1,155,842, and \$1,114,277, respectively; 83.80 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 \$13,167 made by the District and \$19,315 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 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 \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$133,374, \$127,929, and \$113,326, respectively; 44.99 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 fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$15,194, \$16,573, and \$18,312, respectively; 44.99 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org) or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$91,323, \$88,911, and \$85,714, respectively; 83.80 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented 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 the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

|   | General<br>fund |
|---|-----------------|
|   |                 |
| Budget basis                                    | \$ 1,111,657    |
| Net adjustment for revenue accruals             | 26,087          |
| Net adjustment for expenditure accruals         | (25,420)        |
| Net adjustment for other financing sources/uses | (3,736)         |
| Adjustment for encumbrances                     | 70,980          |
| GAAP basis                                      | \$ 1,179,568    |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**NOTE 15 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

|                                       | <u>Instructional<br/>Materials</u> | <u>Capital<br/>Maintenance</u> | <u>BWC<br/>Refunds</u> |
|---------------------------------------|------------------------------------|--------------------------------|------------------------|
| Set-aside balance as of June 30, 2007 | \$ (1,225,314)                     | \$ -                           | \$ 77,235              |
| Current year set-aside requirement    | 373,783                            | 373,783                        | -                      |
| Current year offsets                  | -                                  | (313,833)                      | -                      |
| Current year qualifying expenditures  | <u>(624,684)</u>                   | <u>(528,921)</u>               | <u>-</u>               |
| Total                                 | <u>\$ (1,476,215)</u>              | <u>\$ (468,971)</u>            | <u>\$ 77,235</u>       |
| Balance carried forward to FY 2009    | <u>\$ (1,476,215)</u>              | <u>\$ -</u>                    | <u>\$ 77,235</u>       |

The District had qualifying expenditures during the year that reduced the set-aside amount below zero for the instructional materials reserve. This negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had offsets and qualifying expenditures during the year that reduced the set-aside amount below zero for the capital maintenance reserve. This negative amount cannot be used to reduce the set-aside requirement for future years, and is therefore not presented as being carried forward to the next fiscal year.

Monies representing BWC refunds that were received prior to April 10, 2001 have been shown as a restricted asset and a reservation of fund balance in the general fund since allowable expenditures are restricted by State statute.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - STATUTORY RESERVES - (Continued)**

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

|  |                  |
|--|------------------|
| Amount restricted for BWC refunds          | \$ 77,235        |
| Amount restricted for school bus purchases | <u>8,724</u>     |
| Total restricted assets                    | <u>\$ 85,959</u> |

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**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/<br>Pass Through Grantor<br>Program Title                             | Pass Through<br>Entity<br>Number | Federal<br>CFDA<br>Number | Receipts         | Non-Cash<br>Receipts | Disbursements    | Non-Cash<br>Disbursements |
|---|----------------------------------|---------------------------|------------------|----------------------|------------------|---------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>   |                                  |                           |                  |                      |                  |                           |
| <i>Passed Through Ohio Department of Education:</i>                                   |                                  |                           |                  |                      |                  |                           |
| Food Distribution Program   |                                  | 10.550                    |                  | \$41,266             |                  | \$41,266                  |
| Nutrition Cluster:<br>National School Lunch Program                                   | 048348-LLP4-2007                 | 10.555                    | \$85,286         |                      | \$85,286         |                           |
| <b>Total U.S. Department of Agriculture - Nutrition Cluster</b>                       |                                  |                           | <b>85,286</b>    | <b>41,266</b>        | <b>85,286</b>    | <b>41,266</b>             |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                  |                           |                  |                      |                  |                           |
| <i>Passed Through Ohio Department of Education:</i>                                   |                                  |                           |                  |                      |                  |                           |
| Special Education Cluster:<br><br>Special Education Grants to States<br>(IDEA Part B) |                                  |                           |                  |                      |                  |                           |
|   | 048348-6B-SF-2004-P              | 84.027                    |                  |                      | 36,046           |                           |
|   | 048348-6B-SF-2006-P              | 84.027                    |                  |                      | 128,439          |                           |
|   | 048348-6B-SF-2007-P              | 84.027                    | 80,373           |                      |                  |                           |
|   | 048348-6B-SF-2008-P              | 84.027                    | 585,212          |                      | 532,845          |                           |
| <b>Total Special Education Cluster</b>  |                                  |                           | <b>665,585</b>   |                      | <b>697,330</b>   |                           |
| Grants to Local Educational Agencies<br>(ESEA Title I)                                |                                  |                           |                  |                      |                  |                           |
|   | 048348-C1-S1-2007                | 84.010                    | 5,902            |                      | 11,055           |                           |
|   | 048348-C1-S1-2008                | 84.010                    | 79,959           |                      | 67,710           |                           |
| <b>Total Grants to Local Educational Agencies</b>                                     |                                  |                           | <b>85,861</b>    |                      | <b>78,765</b>    |                           |
| Innovative Educational Program<br>Strategies  |                                  |                           |                  |                      |                  |                           |
|   | 048348-C2-S1-2002                | 84.298                    |                  |                      | 1,028            |                           |
|   | 048348-C2-S1-2005                | 84.298                    |                  |                      | 1,735            |                           |
|   | 048348-C2-S1-2006                | 84.298                    |                  |                      | 1,174            |                           |
|   | 048348-C2-S1-2007                | 84.298                    | 671              |                      | 8,860            |                           |
|   | 048348-C2-S1-2008                | 84.298                    | 3,167            |                      | 2,904            |                           |
| <b>Total Innovative Educational Program Strategies</b>                                |                                  |                           | <b>3,838</b>     |                      | <b>15,701</b>    |                           |
| Title II-D Technology Literacy Challenge Fund Grant                                   |                                  |                           |                  |                      |                  |                           |
|   | 048348-TJ-S1-2007                | 84.318                    |                  |                      | 318              |                           |
|   | 048348-TJ-S1-2008                | 84.318                    | 1,654            |                      | 1,532            |                           |
| <b>Total Title II-D Technology Literacy Challenge Fund Grant</b>                      |                                  |                           | <b>1,654</b>     |                      | <b>1,850</b>     |                           |
| Drug-Free Schools Grant   |                                  |                           |                  |                      |                  |                           |
|   | 048348-DR-S1-2007                | 84.186                    | 807              |                      | 2,056            |                           |
|   | 048348-DR-S1-2008                | 84.186                    | 6,447            |                      | 5,630            |                           |
| <b>Total Drug Free Schools Grant</b>  |                                  |                           | <b>7,254</b>     |                      | <b>7,686</b>     |                           |
| Title II-A Improving Teacher Quality  |                                  |                           |                  |                      |                  |                           |
|   | 048348-TR-S1-2007                | 84.367                    | 6,242            |                      | 16,647           |                           |
|   | 048348-TR-S1-2008                | 84.367                    | 50,796           |                      | 48,362           |                           |
| <b>Total Title II-A Improving Teacher Quality</b>                                     |                                  |                           | <b>57,038</b>    |                      | <b>65,009</b>    |                           |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>  |                                  |                           | <b>821,230</b>   |                      | <b>866,341</b>   |                           |
| <b>TOTAL</b>  |                                  |                           | <b>\$906,516</b> | <b>\$41,266</b>      | <b>\$951,627</b> | <b>\$41,266</b>           |

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

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2008**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State Grants. It is assumed federal monies are expended first. At June 30, 2008, the District had no significant food commodities in inventory.





# 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*

Poland Local School District  
Mahoning County  
3199 Dobbins Road  
Poland, Ohio 44514

To the Board of Education:

We have audited the financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of the Poland Local School District, Mahoning 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 September 30, 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 opinion 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 certain other matters that we reported to the District's management in a separate letter dated September 30, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated September 30, 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

September 30, 2009



# Mary Taylor, CPA

## Auditor of State

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

Poland Local School District  
Mahoning County  
3199 Dobbins Road  
Poland, Ohio 44514

To the Board of Education:

#### Compliance

We have audited the compliance of the Poland Local School District, Mahoning 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 are applicable to its major federal program 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 program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs. An audit includes examining, on a test basis, evidence about Poland Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Poland Local School District's compliance with those requirements.

In our opinion Poland Local School District complied, in all material respects, with the requirements referred to above applying to its major federal program 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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Poland Local School District's internal control over compliance with requirements that could have a direct and material effect on the 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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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

September 30, 2009

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505**

**POLAND LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2008**

|  |
|--|
| <b>1. SUMMARY OF AUDITOR'S RESULTS</b> |
|--|

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unqualified                                |
| <b>(d)(1)(ii)</b>   | <b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>   | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any other significant deficiencies not considered material weaknesses conditions reported at the financial statement level (GAGAS)?</b> | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>   | Yes  |
| <b>(d)(1)(iv)</b>   | <b>Were there any material internal control weakness conditions reported for major federal programs?</b>  | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>                                      | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs= Compliance Opinion</b>   | Unqualified                                |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under ' .510?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs:</b>  | Title VI-B/84.027                          |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 300,000<br>Type B: all others |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee?</b>  | Yes  |

|  |
|--|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>       REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

|                       |          |
|-----------------------|----------|
| <b>Finding Number</b> | 2008-001 |
|-----------------------|----------|

**Finding for Recovery**

**Ohio Revised Code § 3315.062** provides in part that where more than fifty dollars a year is received through a student activity program, the monies from such program must be paid into an activity fund established by the board of education of the school district.

The Poland Middle School PTO collected sporting event admission fees for volleyball, football and basketball games held at the Poland Middle School for the 2008 school year. These admission fees totaled \$7,583.10. The Poland Middle School PTO remitted a check for half of this amount, \$3,791.55. The other half of this amount was retained by the Poland Middle School PTO. School sporting events are “student activity programs” as referred to by the above-referenced statute. As such, any amount exceeding fifty dollars was required to be paid into the activity fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public moneys due but not collected is hereby issued against the Poland Middle School PTO in the amount of \$3,791.55, and in favor of the Poland Local School District Principal’s Fund.

|                                       |
|---------------------------------------|
| <b>3. FINDINGS FOR FEDERAL AWARDS</b> |
|---------------------------------------|

|                       |  |
|-----------------------|--|
| <b>Finding Number</b> |  |
|-----------------------|--|

None



Mary Taylor, CPA  
Auditor of State

**POLAND LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**NOVEMBER 10, 2009**