

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2008***

TONY MEDIATE, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Lowellville Local School District
52 Rocket Place
Lowellville, Ohio 44436

We have reviewed the *Independent Auditor's Report* of the Lowellville Local School District, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2010

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Fiduciary Net Assets - Fiduciary Fund.....	20
Notes to the Basic Financial Statements.....	21 - 47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	48 - 49
Schedule of Findings and Responses.....	50 - 51
Status of Prior Audit Findings	52

This Page is Intentionally Left Blank.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Lowellville Local School District
52 Rocket Place
Lowellville, Ohio 44436-1099

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the fiscal 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 November 13, 2009 on our consideration of the Lowellville Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Lowellville Local School District

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 13, 2009

**LOWELLVILLE 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 Lowellville 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 decreased \$192,367 which represents a 1.30% decrease from 2007.
- General revenues accounted for \$3,537,046 in revenue or 63.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,014,045 or 36.28% of total revenues of \$5,551,091.
- The District had \$5,743,458 in expenses related to governmental activities; \$2,014,045 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,537,046 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and capital projects fund. The general fund had \$4,703,937 in revenues and \$4,599,462 in expenditures and other financing uses. During fiscal year 2008 the general fund's fund balance increased \$104,475 from \$1,310,230 to \$1,414,705.
- The District's capital projects fund had \$86,573 in revenues and other financing sources and no expenditures. During fiscal year 2008, the capital projects fund's fund balance increased \$86,573 from \$265,981 to \$352,554.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 activities of the whole District, 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 and capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.

**LOWELLVILLE 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 13-14 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 9. 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 and capital projects 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 15-19 of this report.

**LOWELLVILLE 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 acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. 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 21-47 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.

	Net Assets	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 4,659,533	\$ 4,230,248
Capital assets, net	<u>13,824,474</u>	<u>14,448,235</u>
Total assets	<u>18,484,007</u>	<u>18,678,483</u>
<u>Liabilities</u>		
Current liabilities	1,809,977	1,786,675
Long-term liabilities	<u>2,085,147</u>	<u>2,110,558</u>
Total liabilities	<u>3,895,124</u>	<u>3,897,233</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	11,995,510	12,576,414
Restricted	1,370,901	1,143,158
Unrestricted	<u>1,222,472</u>	<u>1,061,678</u>
Total net assets	<u>\$ 14,588,883</u>	<u>\$ 14,781,250</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$14,588,883. Of this total, \$1,370,901 is restricted in use.

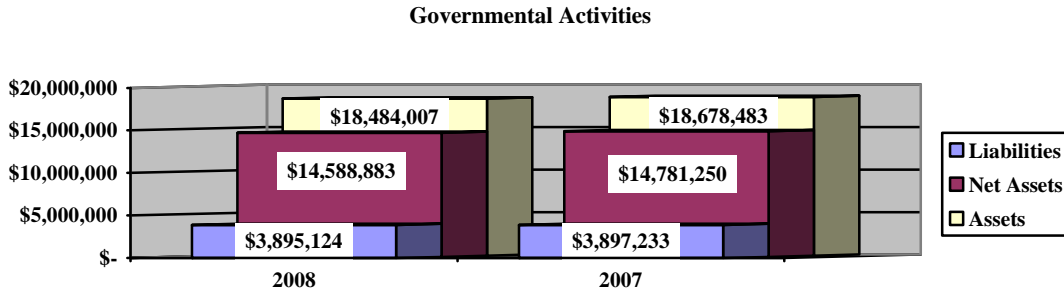
**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

At year-end, capital assets represented 74.79% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$12,016,170. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,370,901, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,222,472 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below show the District's governmental activities assets, liabilities and net assets for the fiscal years ended June 30, 2008 and June 30, 2007.



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

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,451,181	\$ 1,422,821
Operating grants and contributions	561,582	520,515
Capital grants and contributions	1,282	103,997
General revenues:		
Property taxes	1,141,751	1,155,202
Grants and entitlements	2,282,578	2,358,653
Investment earnings	90,843	123,285
Decrease in fair market value of investments	(221)	-
Other	22,095	23,805
Total revenues	5,551,091	5,708,278

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

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

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 2,715,063	\$ 2,475,887
Special	419,752	506,424
Vocational	32,423	37,693
Other	14,926	22,037
Support services:		
Pupil	211,221	204,198
Instructional staff	203,018	275,730
Board of education	23,731	14,557
Administration	405,854	385,789
Fiscal	169,957	138,885
Operations and maintenance	517,087	488,222
Pupil transportation	159,462	161,651
Central	26,686	63,449
Food service operations	355,924	337,819
Operations of non-instructional services	440	9,291
Extracurricular activities	392,504	381,738
Interest and fiscal charges	<u>95,410</u>	<u>91,629</u>
Total expenses	<u>5,743,458</u>	<u>5,594,999</u>
Change in net assets	(192,367)	113,279
Net assets at beginning of year	<u>14,781,250</u>	<u>14,667,971</u>
Net assets at end of year	<u><u>\$ 14,588,883</u></u>	<u><u>\$ 14,781,250</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased \$192,367. Total governmental expenses of \$5,743,458 were offset by program revenues of \$2,014,045 and general revenues of \$3,537,046. Program revenues supported 35.07% 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 61.69% of total governmental revenue.

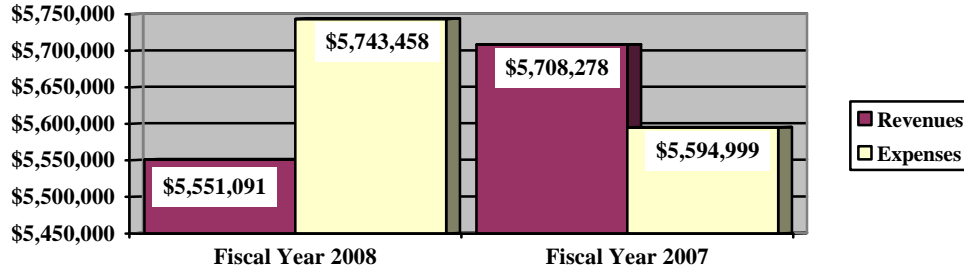
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,182,164 or 55.41% of total governmental expenses for fiscal 2008.

**LOWELLVILLE 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 and expenses for fiscal year 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.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 2,715,063	\$ 1,456,571	\$ 2,475,887	\$ 1,218,801
Special	419,752	116,407	506,424	286,765
Vocational	32,423	21,466	37,693	37,350
Other	14,926	14,926	22,037	22,037
Support services:				
Pupil	211,221	184,948	204,198	177,902
Instructional staff	203,018	201,579	275,730	274,832
Board of education	23,731	23,731	14,557	14,557
Administration	405,854	385,072	385,789	368,165
Fiscal	169,957	164,953	138,885	137,098
Operations and maintenance	517,087	484,064	488,222	457,214
Pupil transportation	159,462	142,532	161,651	46,546
Central	26,686	26,180	63,449	27,603
Food service operations	355,924	118,246	337,819	99,078
Operations of non-instructional services	440	440	9,291	9,291
Extracurricular activities	392,504	292,888	381,738	278,798
Interest and fiscal charges	95,410	95,410	91,629	91,629
Total expenses	<u>\$ 5,743,458</u>	<u>\$ 3,729,413</u>	<u>\$ 5,594,999</u>	<u>\$ 3,547,666</u>

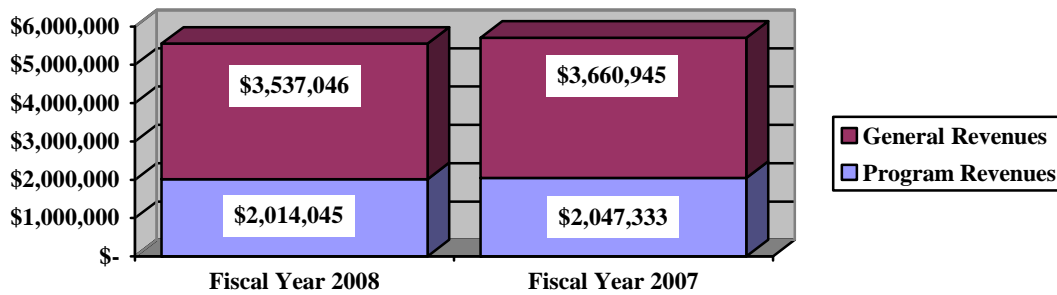
**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

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

The dependence upon tax and other general revenues for governmental activities is apparent, 50.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 64.93%. The District's property tax revenues and Foundation payments received from the State of Ohio are the primary sources of support for District's students.

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 reported a combined fund balance of \$2,750,640, which is greater than last year's total of \$2,315,935. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,414,705	\$ 1,310,230	\$ 104,475	7.97 %
Capital Projects	352,554	265,981	86,573	32.55 %
Other Governmental	<u>983,381</u>	<u>739,724</u>	<u>243,657</u>	32.94 %
Total	<u>\$ 2,750,640</u>	<u>\$ 2,315,935</u>	<u>\$ 434,705</u>	18.77 %

The fund balance of the other governmental funds increased primarily due to an increase of approximately \$34,258 in the food service fund balance as charges for services and intergovernmental grants and subsidies exceeded expenditures in the current year. The educational foundation fund balance increased due to a transfer in of \$30,000 from the general fund and the classroom facilities maintenance fund balance increased \$39,896 due to tax and other revenue sources exceeding expenditures of only \$286 in fiscal year 2008.

An analysis of the general fund and capital projects fund is provided below.

**LOWELLVILLE 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 \$104,475. The increase in fund balance can be attributed to decreasing revenues still being more than increased expenditures. Revenues exceed expenditures for fiscal year 2008 by \$360,755.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 991,558	\$ 959,721	\$ 31,837	3.32 %
Tuition	1,202,460	1,173,263	29,197	2.49 %
Earnings on investments	64,270	94,852	(30,582)	(32.24) %
Intergovernmental	2,433,683	2,499,855	(66,172)	(2.65) %
Other revenues	<u>11,966</u>	<u>21,847</u>	<u>(9,881)</u>	<u>(45.23) %</u>
Total	<u>\$ 4,703,937</u>	<u>\$ 4,749,538</u>	<u>\$ (45,601)</u>	<u>(0.96) %</u>
<u>Expenditures</u>				
Instruction	\$ 2,631,692	\$ 2,483,280	\$ 148,412	5.98 %
Support services	1,541,328	1,620,498	(79,170)	(4.89) %
Non-instructional services	6,880	1,051	5,829	554.61 %
Extracurricular activities	160,300	159,292	1,008	0.63 %
Debt service	<u>2,982</u>	<u>43,891</u>	<u>(40,909)</u>	<u>(93.21) %</u>
Total	<u>\$ 4,343,182</u>	<u>\$ 4,308,012</u>	<u>\$ 35,170</u>	<u>0.82 %</u>

As can be seen in the above table, revenues generated are sufficient to cover expenditures in the general fund. The increase in tuition revenue in the general fund was primarily due to an increase in open enrollment revenues over the prior year. Earnings on investments decreased due to lower interest rates on short-term investments that the District utilized. Intergovernmental revenues decreased due to a decrease in State Foundation monies received from the State of Ohio. The increase in instructional expenditures can be attributed to normal and customary wages and benefit increases. Support services expenditures decreased due primarily to pupil transportation expenditures for the purchase of new vehicles in 2007 coupled with normal and customary wages and benefit increases.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$4,643,000 and final budgeted revenues and other financing sources were \$5,028,663. Actual revenues and other financing sources for fiscal 2008 were \$4,712,456. This was \$316,207 less than the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,647,307 were increased to \$5,990,044 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$4,788,771, which was \$1,201,273 less than the final budget appropriations.

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

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

Capital Projects Fund

The District's capital projects fund had \$86,573 in revenues and other financing sources and no expenditures. During fiscal year 2008, the capital projects fund's fund balance increased \$86,573 from \$265,981 to \$352,554. The capital projects fund received a \$60,000 transfer in from the general fund during fiscal year 2008 and had interest earnings of \$26,573.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$13,824,474 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 590,631	\$ 590,631
Land improvements	642,659	712,351
Building and improvements	11,636,479	12,008,230
Furniture and equipment	832,068	989,768
Vehicles	122,637	147,255
Total	\$ 13,824,474	\$ 14,448,235

The overall decrease in capital assets of \$623,761 is due to depreciation expense of \$684,048 exceeding capital outlays of \$60,287 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$1,800,000 in general obligation bonds outstanding. Of this total, \$65,000 is due within one year and \$1,735,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2008	2007
General obligation bonds	\$ 1,800,000	\$ 1,860,000
Total	\$ 1,800,000	\$ 1,860,000

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**LOWELLVILLE 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 is and has been financially strong for a long period of time, extending back to 1985 when the last operating levy was approved by the voters. Since that time, only the 5.1 mill bond issue for the new K-12 School has been on the ballot and that was approved by 70 % of the voters. Contributing to the financial soundness of the District is open enrollment, which has been in effect since 1994. The open enrollment program has been well managed from an educational and a financial viewpoint. The District has received an Excellent Rating for the last six years and has been one of the lowest cost per pupil school districts in Ohio during that period of time. For the latest school year reported, 2007-2008, the District ranks as the second lowest cost per pupil in Ohio.

Although property taxes have remained flat for an extended period of time, the combination of State Funding (75 % of revenue), open enrollment, and cost containment have allowed us to remain financially sound. Unrestricted State funding decreased in the last fiscal year compared to the previous fiscal year. As a result, unrestricted State funding shows an increase of 7.7 % per year from Fiscal 2000 to Fiscal 2007 which is a significant decrease compared to the increase in State funding from Fiscal 1999 to Fiscal 2006. Continued increases in open enrollment funding and continued cost containment policies have allowed the District to remain financially sound.

The most significant challenge in the years ahead will be the level of State funding. Current indications are that future increases will not approximate past increases particularly relative to Parity Aid. Also significant are the increased number of school districts adopting open enrollment policies which could result in a loss of open enrollment students for the District. Reducing expenditures in direct proportion to a potential decrease in open enrollment students will not be possible; therefore, higher costs per pupil will be the result. Continuation of this scenario for two or three fiscal years will result in a need for additional revenue.

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. Tony Mediate, Treasurer, Lowellville Local School District, 52 Rocket Place, Lowellville, Ohio 44436.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,292,325
Investments	1,001,068
Receivables:	
Taxes	1,289,468
Accounts	79
Intergovernmental	51,605
Materials and supplies inventory	4,328
Unamortized bond issue costs	20,660
Capital assets:	
Land	590,631
Depreciable capital assets, net	13,233,843
Capital assets, net.	<u>13,824,474</u>
 Total assets.	 <u>18,484,007</u>
Liabilities:	
Accounts payable.	9,325
Accrued wages and benefits	467,959
Pension obligation payable.	94,367
Intergovernmental payable	27,114
Accrued interest payable	7,897
Unearned revenue.	1,203,315
Long-term liabilities:	
Due within one year.	93,133
Due in more than one year	1,992,014
Total liabilities	<u>3,895,124</u>
Net assets:	
Invested in capital assets, net of related debt.	11,995,510
Restricted for:	
Capital projects	449,950
Debt service.	122,173
Classroom facilities maintenance	321,289
Federally funded programs	4,455
Other purposes	473,034
Unrestricted	<u>1,222,472</u>
Total net assets	<u><u>\$ 14,588,883</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 2,715,063	\$ 1,202,460	\$ 56,032	\$ -	\$ (1,456,571)
Special	419,752	-	303,345	-	(116,407)
Vocational	32,423	-	10,957	-	(21,466)
Other	14,926	-	-	-	(14,926)
Support services:					
Pupil	211,221	-	26,273	-	(184,948)
Instructional staff	203,018	-	1,439	-	(201,579)
Board of education	23,731	-	-	-	(23,731)
Administration	405,854	10,660	10,122	-	(385,072)
Fiscal	169,957	-	5,004	-	(164,953)
Operations and maintenance	517,087	685	32,338	-	(484,064)
Pupil transportation	159,462	-	15,648	1,282	(142,532)
Central	26,686	-	506	-	(26,180)
Operation of non-instructional services:					
Food service operations	355,924	151,217	86,461	-	(118,246)
Other non-instructional services	440	-	-	-	(440)
Extracurricular activities	392,504	86,159	13,457	-	(292,888)
Interest and fiscal charges	95,410	-	-	-	(95,410)
Total governmental activities	<u>\$ 5,743,458</u>	<u>\$ 1,451,181</u>	<u>\$ 561,582</u>	<u>\$ 1,282</u>	<u>(3,729,413)</u>
General revenues:					
Property taxes levied for:					
General purposes					968,266
Special revenue					13,515
Debt service					159,970
Grants and entitlements not restricted					
to specific programs					2,282,578
Investment earnings					90,843
Decrease in fair value of investments					(221)
Miscellaneous					22,095
Total general revenues					<u>3,537,046</u>
Change in net assets					(192,367)
Net assets at beginning of year					<u>14,781,250</u>
Net assets at end of year					<u>\$ 14,588,883</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,031,444	\$ 352,554	\$ 734,925	\$ 2,118,923
Investments	-	700,000	301,068	1,001,068
Receivables:				
Taxes	1,092,516	-	196,952	1,289,468
Accounts	-	-	79	79
Intergovernmental	-	-	51,605	51,605
Interfund loans	200,000	-	-	200,000
Loans to other funds	516,957	-	-	516,957
Due from other funds	52,414	-	-	52,414
Materials and supplies inventory	-	-	4,328	4,328
Restricted assets:				
Equity in pooled cash and cash equivalents	173,402	-	-	173,402
Total assets	<u>\$ 3,066,733</u>	<u>\$ 1,052,554</u>	<u>\$ 1,288,957</u>	<u>\$ 5,408,244</u>
Liabilities:				
Accounts payable	\$ 8,639	\$ -	\$ 686	\$ 9,325
Accrued wages and benefits	439,860	-	28,099	467,959
Pension obligation payable	86,047	-	8,320	94,367
Intergovernmental payable	24,966	-	2,148	27,114
Interfund loans payable	-	200,000	-	200,000
Loans from other funds	-	500,000	16,957	516,957
Due to other funds	-	-	52,414	52,414
Deferred revenue	76,193	-	9,960	86,153
Unearned revenue	1,016,323	-	186,992	1,203,315
Total liabilities	<u>1,652,028</u>	<u>700,000</u>	<u>305,576</u>	<u>2,657,604</u>
Fund balances:				
Reserved for encumbrances	8,290	-	5,162	13,452
Reserved for materials and supplies inventory	-	-	4,328	4,328
Reserved for loans to other funds	516,957	-	-	516,957
Reserved for school bus purchases	122,769	-	-	122,769
Reserved for textbooks	50,633	-	-	50,633
Reserved for debt service	-	-	120,941	120,941
Unreserved, undesignated, reported in:				
General fund	716,056	-	-	716,056
Special revenue funds	-	-	755,554	755,554
Capital projects funds	-	352,554	97,396	449,950
Total fund balances	<u>1,414,705</u>	<u>352,554</u>	<u>983,381</u>	<u>2,750,640</u>
Total liabilities and fund balances	<u>\$ 3,066,733</u>	<u>\$ 1,052,554</u>	<u>\$ 1,288,957</u>	<u>\$ 5,408,244</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

Total governmental fund balances		\$ 2,750,640
<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.		13,824,474
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable		86,153
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,897)
Unamortized bond issuance costs are not recognized in the funds.		20,660
Unamortized deferred charges on refundings are not recognized in the funds.		61,486
Unamortized premiums on bond issuance are not recognized in the funds.		(90,450)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	\$ 256,183	
General obligation bonds payable	<u>1,800,000</u>	
Total		<u>(2,056,183)</u>
Net assets of governmental activities		<u><u>\$ 14,588,883</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOWELLVILLE 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>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 991,558	\$ -	\$ 177,700	\$ 1,169,258
Tuition.	1,202,460	-	-	1,202,460
Earnings on investments.	64,270	26,573	18,329	109,172
Charges for services.	-	-	151,217	151,217
Extracurricular.	-	-	91,034	91,034
Other local revenues.	11,966	-	49,946	61,912
Intergovernmental - State.	2,433,683	-	91,104	2,524,787
Intergovernmental - Federal	-	-	268,979	268,979
Total revenue	<u>4,703,937</u>	<u>26,573</u>	<u>848,309</u>	<u>5,578,819</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,350,719	-	55,603	2,406,322
Special.	233,624	-	147,589	381,213
Vocational.	32,423	-	-	32,423
Other.	14,926	-	-	14,926
Support services:				
Pupil.	190,570	-	12,860	203,430
Instructional staff	180,736	-	-	180,736
Board of education	23,731	-	-	23,731
Administration.	321,704	-	52,797	374,501
Fiscal	160,497	-	8,629	169,126
Operations and maintenance.	518,743	-	6,286	525,029
Pupil transportation	118,661	-	15,906	134,567
Central.	26,686	-	-	26,686
Operation of non-instructional services:				
Food service operations	-	-	203,420	203,420
Other non-instructional services.	6,880	-	-	6,880
Extracurricular activities.	160,300	-	123,278	283,578
Facilities acquisition and construction	-	-	15,198	15,198
Debt service:				
Principal retirement	2,941	-	60,000	62,941
Interest and fiscal charges	41	-	99,145	99,186
Total expenditures	<u>4,343,182</u>	<u>-</u>	<u>800,711</u>	<u>5,143,893</u>
Excess of revenues over (under) expenditures	<u>360,755</u>	<u>26,573</u>	<u>47,598</u>	<u>434,926</u>
Other financing sources:				
Transfers in	-	60,000	196,280	256,280
Transfers (out).	(256,280)	-	-	(256,280)
Decrease in fair value of investments.	-	-	(221)	(221)
Total other financing sources	<u>(256,280)</u>	<u>60,000</u>	<u>196,059</u>	<u>(221)</u>
Net change in fund balances	104,475	86,573	243,657	434,705
Fund balances at beginning of year.	<u>1,310,230</u>	<u>265,981</u>	<u>739,724</u>	<u>2,315,935</u>
Fund balances at end of year	<u>\$ 1,414,705</u>	<u>\$ 352,554</u>	<u>\$ 983,381</u>	<u>\$ 2,750,640</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOWELLVILLE 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

Net change in fund balances - total governmental funds	\$	434,705
 <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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays the current period.		
Capital outlays	\$ 60,287	
Depreciation expense	(684,048)	
Total		(623,761)
Revenues in the statement of activities that provide current financial resources are not reported as revenues in the funds.		(27,507)
Repayment of bond and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		62,941
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable		218
Amortization of bond issuance costs		(1,433)
Amortization of bond premiums		6,274
Amortization of deferred charges on refundings		(4,265)
Total		
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.		(39,539)
Change in net assets of governmental activities	\$	(192,367)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LOWELLVILLE 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 Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 986,035	\$ 1,067,938	\$ 1,000,785	\$ (67,153)
Tuition.	1,184,737	1,283,145	1,202,460	(80,685)
Earnings on investments.	61,080	66,154	61,994	(4,160)
Other local revenues	13,329	14,436	13,528	(908)
Intergovernmental - State	2,397,813	2,596,984	2,433,683	(163,301)
Total revenue	<u>4,642,994</u>	<u>5,028,657</u>	<u>4,712,450</u>	<u>(316,207)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,750,809	2,917,759	2,332,616	585,143
Special.	275,589	292,315	233,693	58,622
Vocational.	37,919	40,220	32,154	8,066
Other.	17,931	19,019	15,205	3,814
Support services:				
Pupil.	224,439	238,060	190,318	47,742
Instructional staff	214,075	227,067	181,530	45,537
Board of education	28,215	29,927	23,925	6,002
Administration.	379,818	402,869	322,076	80,793
Fiscal	186,493	197,811	158,141	39,670
Operations and maintenance.	617,218	654,677	523,385	131,292
Pupil transportation	146,272	155,149	124,035	31,114
Central.	31,470	33,380	26,686	6,694
Operation of non-instructional services	8,114	8,606	6,880	1,726
Extracurricular activities.	190,863	202,447	161,847	40,600
Total expenditures	<u>5,109,225</u>	<u>5,419,306</u>	<u>4,332,491</u>	<u>1,086,815</u>
Excess of revenues over (under) expenditures.	<u>(466,231)</u>	<u>(390,649)</u>	<u>379,959</u>	<u>770,608</u>
Other financing sources (uses):				
Transfers (out)	(302,226)	(320,568)	(256,280)	64,288
Advances (out)	(235,856)	(250,170)	(200,000)	50,170
Refund of prior year expenditure.	6	6	6	-
Total other financing sources (uses)	<u>(538,076)</u>	<u>(570,732)</u>	<u>(456,274)</u>	<u>114,458</u>
Net change in fund balance	(1,004,307)	(961,381)	(76,315)	885,066
Fund balance at beginning of year.	1,270,431	1,270,431	1,270,431	-
Prior year encumbrances appropriated	49,680	49,680	49,680	-
Fund balance at end of year	<u>\$ 315,804</u>	<u>\$ 358,730</u>	<u>\$ 1,243,796</u>	<u>\$ 885,066</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 61,393
Total assets.	<u>\$ 61,393</u>
Liabilities:	
Due to students	\$ 61,393
Total liabilities	<u>\$ 61,393</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

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

The District serves an area of approximately 14 square miles. It is located in Mahoning County and includes the Village of Lowellville. The District is the 585th largest in the State of Ohio (among the 896 public school districts and community schools in the State) in terms of enrollment. It is staffed by 41 certified full-time teaching employees and 18 classified personnel who provide services to 629 students and other community members. The District currently operates 2 instructional buildings.

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 composed 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 services and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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 these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**LOWELLVILLE 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

The Area Cooperative Computerized Educational Service System (ACCESS), a Council of Governments (the "COG"), is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports the COG based upon a per pupil charge. The COG 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 the COG including budgeting, appropriating, contracting and designating management. All of the COG revenues are generated from charges for services and State funding. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, 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.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association 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 (the "Consortium") is a shared risk pool comprised of 14 Mahoning County school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent 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.

**LOWELLVILLE 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.

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.

Capital projects fund - The capital projects fund is used to accumulate monies for capital projects.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those accounted for in the capital projects fund; (c) grants and other resources whose use is restricted to a particular purpose; and, (d) food service operations and uniform school supplies operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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 has no trust funds. 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.

**LOWELLVILLE 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 agency fund does not report a measurement focus as it does 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 Nonexchange 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.

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 6).

**LOWELLVILLE 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)

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 in the fund financial statements.

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

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 District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2008 is as follows:

1. 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

**LOWELLVILLE 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)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or before June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. 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" and/or "investments" on the basic financial statements.

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and common stock. While common stock is not an allowable investment according to Ohio statute, the District has been endowed with a gift of stock to its other governmental funds. No public funds were used to acquire the stock. Investments in common stock are reported at fair value, which is based on quoted market prices. At June 30, 2008, the common stock had a fair value of \$1,068.

**LOWELLVILLE 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 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 earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$64,270, which includes \$19,423 assigned from other 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 year-end is provided in Note 4.

G. Inventory

On government-wide and fund 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. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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. The District does not possess infrastructure.

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

**LOWELLVILLE 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)

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

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

Receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

Receivables and payables resulting from negative cash balances in certain funds are classified as “due from/to other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. 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 June 30, 2008, 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, all employees with 20 years of current service with the District, all employees age 45 with at least 15 years of service, and all employees age 50 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

**LOWELLVILLE 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 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. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not recorded.

K. Accrued Liabilities and Long-Term Obligations

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

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.

L. 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 balance reserves have been established for encumbrances, materials and supplies inventory, loans to other funds, school bus purchases, textbooks, and debt service.

M. 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. Net assets restricted for other purposes represent monies restricted by State statute for textbooks and school bus purchases, along with monies restricted for the District's educational foundation and termination benefits.

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

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.

**LOWELLVILLE 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)

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for instructional materials. This reserve is required by State statute. In addition, the District has received monies restricted for school bus purchases. A schedule of statutory reserves is presented in Note 17.

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. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.D.

R. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 14) 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.

B. Deficit Fund Balances

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
District managed activity	\$ 5,050
Management information system	2,582
Miscellaneous state grants	3,526
IDEA part B grants	12,668
Title I disadvantaged children	12,207

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. Except for the IDEA part B grant fund and the Title I disadvantaged children fund, these deficit fund balances are the result of adjustments for accrued liabilities. The deficit fund balances in the IDEA part B grant fund and Title I disadvantaged children fund are the result of negative cash balances at fiscal year end. A "due from/to other funds" has been recorded in these funds to cover the negative cash balances (See Note 5.D.).

C. Noncompliance

- i. The District had appropriations that exceeded resources at June 30, 2008 and throughout the year ended in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- ii. The District had expenditures during the fiscal year ended June 30, 2008 that were not certified in a timely manner, in noncompliance with Ohio Revised Code Section 5705.41(D).

**LOWELLVILLE 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

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;
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.

**LOWELLVILLE 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)

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. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$1,450,442. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$400,000 of the District's bank balance of \$1,479,612 was covered by the Federal Deposit Insurance Corporation, while \$1,079,612 was exposed to custodial risk as discussed below.

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.

B. Investments

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

<u>Investments</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 1,903,276	\$ 1,903,276
Common stock	<u>1,068</u>	<u>1,068</u>
Total	<u>\$ 1,904,344</u>	<u>\$ 1,904,344</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.

**LOWELLVILLE 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)

Credit Risk: The District's common stock holdings were rated from AAA to B by Standard & Poor's, Aaa to Caa1 by Moody's Investors Service, and AA- to B by Fitch Ratings. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Concentration of Credit Risk: 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>% to Total</u>
STAR Ohio	\$ 1,903,276	99.94
Common stock	<u>1,068</u>	<u>00.06</u>
Total	<u>\$ 1,904,344</u>	<u>100.00</u>

C. 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	\$ 1,450,442
Investments	<u>1,904,344</u>
Total	<u>\$ 3,354,786</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,293,393
Agency funds	<u>61,393</u>
Total	<u>\$ 3,354,786</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Transfers for the fiscal year ended June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Capital projects fund	\$ 60,000
Nonmajor governmental funds	<u>196,280</u>
Total	<u>\$ 256,280</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

All transfers made in fiscal year 2008 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund loans receivable and payable at June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Interfund loans receivable in general fund from:</u>	<u>Amount</u>
Capital projects fund	\$ 200,000
Total	<u>\$ 200,000</u>

The primary purpose of these interfund loans receivable and payable is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received. Interfund loans are short-term loans and are expected to be repaid within one year.

Interfund loans receivable and payable between governmental funds are eliminated on the government-wide financial statements.

- C.** Loans to and from other funds at June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Loans to other funds in general fund from:</u>	<u>Amount</u>
Capital projects fund	\$ 500,000
Nonmajor governmental funds	16,957
Total	<u>\$ 516,957</u>

Loans to and from other funds are long-term loans and are not expected to be repaid within one year.

Loans to and from other funds between governmental funds are eliminated on the government-wide financial statements.

- D.** Due from and to other funds at June 30, 2008 consisted of the following, as reported in the fund financial statements:

<u>Due from other funds in general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 52,414
Total	<u>\$ 52,414</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Due from and to other funds are short-term interfund balances and are expected to be repaid within one year. These amounts were required to cover negative cash balances in the IDEA part B grant fund (a nonmajor governmental fund) and the Title I disadvantaged children fund (a nonmajor governmental fund) at fiscal year-end. The District met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

Due from and to other funds between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - 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.

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.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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 Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/agricultural and public utilities real property	\$ 25,381,420	73.79	\$ 25,632,810	75.73
Commercial/industrial real property	2,527,740	7.35	2,543,540	7.51
Public utilities personal property	5,670,520	16.49	5,265,450	15.56
General tangible personal property	<u>814,363</u>	<u>2.37</u>	<u>407,181</u>	<u>1.20</u>
Total assessed valuation	<u>\$ 34,394,043</u>	<u>100.00</u>	<u>\$ 33,848,981</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$56.40		\$56.40	
Bonded debt	5.10		5.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts, 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 items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 1,289,468
Accounts	79
Intergovernmental	<u>51,605</u>
Total	<u>\$ 1,341,152</u>

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

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

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

NOTE 8 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 590,631	\$ -	\$ -	\$ 590,631
<i>Total capital assets, not being depreciated</i>	<u>590,631</u>	<u>-</u>	<u>-</u>	<u>590,631</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,233,912	6,440	-	1,240,352
Buildings and improvements	14,138,881	-	-	14,138,881
Equipment and furniture	2,297,032	53,847	-	2,350,879
Vehicles	331,518	-	-	331,518
<i>Total capital assets, being depreciated</i>	<u>18,001,343</u>	<u>60,287</u>	<u>-</u>	<u>18,061,630</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(521,561)	(76,132)	-	(597,693)
Buildings and improvements	(2,130,651)	(371,751)	-	(2,502,402)
Equipment and furniture	(1,307,264)	(211,547)	-	(1,518,811)
Vehicles	(184,263)	(24,618)	-	(208,881)
<i>Total accumulated depreciation</i>	<u>(4,143,739)</u>	<u>(684,048)</u>	<u>-</u>	<u>(4,827,787)</u>
Total capital assets, net	<u>\$ 14,448,235</u>	<u>\$ (623,761)</u>	<u>\$ -</u>	<u>\$ 13,824,474</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 293,448
Special	36,928
<u>Support services:</u>	
Pupil	7,253
Instructional staff	21,761
Administration	32,972
Fiscal	3,298
Operations and maintenance	7,253
Pupil transportation	24,618
Extracurricular activities	110,124
Food service operations	<u>146,393</u>
Total depreciation expense	<u>\$ 684,048</u>

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

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 2004, the District entered into leases with Sky Bank Leasing for the acquisition and construction of a track and fencing for the athletic field, and with Dollar Leasing Corp. for the acquisition of copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of land improvements and equipment have been capitalized in the amount of \$451,083. This amount represents the present value of the minimum lease payments at the time of acquisition. At June 30, 2008, accumulated depreciation on these capital assets was \$202,987, and the current net book value was \$248,096. The corresponding liabilities were recorded as general long-term obligations of the District. During fiscal year 2008, principal and interest payments of \$2,941 and \$41 were made from the general fund. These debt service payments were the final scheduled lease payments on these capital leases. As of June 30, 2008, there is no liability for capital lease obligation reported in long-term liabilities on the statement of net assets.

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2001, the District issued \$2,126,000 in general obligation bonds (Series 2001 Bonds) with stated interest rates from 4.4% to 6.15% in order to provide funds for the construction of a new building for the elementary, middle and high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for as long-term obligations of the District. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 5.1 mill bonded debt tax levy.

In fiscal year 2007, the District advance refunded \$955,000 (the callable portion) of the Series 2001 current interest bonds. During fiscal year 2008, the District made a \$60,000 principal payment from the debt service fund (a nonmajor governmental fund).

Interest payments on the remaining Series 2001 general obligation bonds are due on June 1 and December 1 of each year. The final stated maturity on the remaining bonds in the issue is December 1, 2016.

In conjunction with the 5.1 mills which support the bond issue, the District also passed in fiscal year 2001 a 0.5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance fund (a nonmajor governmental fund).

- B. On August 24, 2006, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund a portion of the Series 2001 Bonds. The issuance proceeds of \$955,000 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. The refunded debt is considered defeased (in-substance) and, accordingly, has been removed from the statement of net assets.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The Series 2007 Refunding Bonds are comprised of current interest term bonds, par value \$955,000. Interest rates range from 5.00% to 5.25%. The current interest term bonds mature on December 1 of 2017 through 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$69,305. 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 sixteen years by \$60,458, resulting in an economic gain of \$47,401.

- C. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Fiscal Year	Series 2001 Bonds			Series 2007 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 65,000	\$ 46,723	\$ 111,723	\$ -	\$ 49,438	\$ 49,438
2010	70,000	43,465	113,465	-	49,437	49,437
2011	75,000	39,930	114,930	-	49,438	49,438
2012	80,000	36,112	116,112	-	49,437	49,437
2013	95,000	31,211	126,211	-	49,438	49,438
2014 - 2018	460,000	59,655	519,655	135,000	243,812	378,812
2019 - 2023	-	-	-	820,000	112,168	932,168
						-
Total	<u>\$ 845,000</u>	<u>\$ 257,096</u>	<u>\$ 1,102,096</u>	<u>\$ 955,000</u>	<u>\$ 603,168</u>	<u>\$ 1,558,168</u>

- D. During fiscal year 2008, the following changes occurred in the governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance 6/30/2007	Increases	Decreases	Balance 6/30/2008	Amounts Due in One Year
<u>General obligation bonds</u>					
Series 2001 bonds	\$ 905,000	\$ -	\$ (60,000)	\$ 845,000	\$ 65,000
Series 2007 refunding bonds	955,000	-	-	955,000	-
<u>Other long-term obligations</u>					
Capital lease obligation	2,941	-	(2,941)	-	-
Compensated absences	216,644	60,710	(21,171)	256,183	28,133
Total	<u>\$ 2,079,585</u>	<u>\$ 60,710</u>	<u>\$ (84,112)</u>	2,056,183	<u>\$ 93,133</u>
Add: Unamortized premium on refunding				90,450	
Less: Unamortized deferred charges on refunding				<u>(61,486)</u>	
Total governmental activities				<u>\$ 2,085,147</u>	

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

The District's capital lease obligation is described in Note 9.

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

E. 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 \$856,813 (including available funds of \$120,941), a legal unvoted debt margin of \$28,176, and a legal energy conservation debt margin of \$253,587.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Life Insurance

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

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company to provide the following coverage:

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

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

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

B. Employee Group Health Insurance

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

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

The District pays 88% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. The District pays 88% of prescription and dental premiums. Unum provides the life insurance coverage.

C. Workers' Compensation

The District no longer participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2). Since the 2004-2005 fiscal year the district has been individually rated because of a claim allowed by the Bureau of Worker Compensation to allow the claim the wife of a deceased custodian that his death was due to asbestosis contracted while in the employ of the Lowellville School District. The District has appealed this claim and although the claim is being paid, the District will continue to appeal the claim.

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

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

NOTE 13 - 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, 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 \$40,652, \$43,529, and \$55,583, respectively; 45.63 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 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.

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.

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

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

NOTE 13 - PENSION PLANS - (Continued)

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 \$303,199, \$285,770, and \$294,685, respectively; 83.70 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. There were no contributions to the DC and Combined Plans for fiscal year 2008 made by the District or by 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.

NOTE 14 - 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.

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 \$24,805, \$23,573, and \$21,177, respectively; 45.63 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 \$2,929, \$2,960, and \$4,424, respectively; 45.63 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 or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$23,323, \$21,982, and \$21,049, respectively; 83.70 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - 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:

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (76,315)
Net adjustment for revenue accruals	(8,513)
Net adjustment for expenditure accruals	(21,879)
Net adjustment for other financing sources/uses	199,994
Adjustment for encumbrances	11,188
GAAP basis	\$ 104,475

NOTE 16 - 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 involved in no material litigation as either plaintiff or defendant.

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

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

NOTE 17 - 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 Materials</u>	<u>Capital Maintenance</u>
Set-aside balance at June 30, 2007	\$ 114,075	\$ (13,455,712)
Current year set-aside requirement	104,161	104,161
Current year qualifying expenditures	<u>(167,603)</u>	<u>(76,416)</u>
Set-aside balance at June 30, 2008	<u>\$ 50,633</u>	<u>\$ (13,427,967)</u>
Balance carried forward to FY2009	<u>\$ 50,633</u>	<u>\$ (13,351,551)</u>

The District also receives monies from the State of Ohio which are restricted by State law for the purchase of school buses. This amount is shown as a reserve for bus purchases. The balance of this allocation at year-end is also reflected as a reservation of fund balance in the general fund. The negative amount in the capital maintenance set-aside may be carried forward to offset future years' requirements.

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

Amount restricted for instructional materials	\$ 50,633
Amount restricted for school bus purchases	<u>122,769</u>
Total restricted assets	<u>\$ 173,402</u>



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Lowellville Local School District
52 Rocket Place
Lowellville, Ohio 44436-1099

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District as of and for the fiscal year ended June 30, 2008, which collectively comprise Lowellville Local School District's basic financial statements and have issued our report thereon dated November 13, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lowellville Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lowellville Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Lowellville Local School 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 the normal course of 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 Lowellville Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Lowellville Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Lowellville Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Lowellville Local School District's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Lowellville Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lowellville Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as 2008-LLSD-001 through 2008-LLSD-003.

We noted certain matters that we reported to the management of the Lowellville Local School District in a separate letter dated November 13, 2009.

Lowellville Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Lowellville Local School District's responses, and accordingly, we express no opinion on them.

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



Julian & Grube, Inc.
November 13, 2009

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-LLSD-001

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.

Total appropriations exceeded total estimated resources at June 30, 2008 in the following funds:

<u>Nonmajor funds</u>	<u>Appropriations</u>	<u>Resources</u>	<u>Excess</u>
Public School Support	\$ 14,000	\$ 11,235	\$ 2,765
District Managed Activities	147,976	130,909	17,067
Professional Development	4,070	2,070	2,000
Miscellaneous State Grants	33,968	33,496	472
IDEA Part B Grants	124,845	69,341	55,504
Title I Grants	49,141	44,166	4,975
Title V Grant	893	89	804
Improving Teacher Quality Grant	19,322	18,343	979
Miscellaneous Federal Grants	505	51	454

With appropriations exceeding estimated resources the District may spend more funds than in the Treasury or in process of collection and cause fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client Response: The District will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2008-LLSD-002

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the District Treasurer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

The District did not request timely amended certificates throughout the year upon notice of increased or decreased resources.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the year and at fiscal year end.

We recommend that the District review its available resources versus its appropriations throughout the year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: The District is attempting to monitor fiscal budget more closely and to submit additional amendments for estimated resources more frequently throughout the fiscal year and at fiscal year end.

Finding Number	2008-LLSD-003
----------------	---------------

Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

28% of the expenditures tested were not certified in a timely manner.

Without proper certification the District may expend more funds than available in the treasury or in the process of collection, or than funds appropriated. It may also result in unnecessary or undesirable purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District should consider using "Then" and "Now" certificates where applicable.

Client Response: The Superintendent will address the departments that this applies to to comply with this requirement.

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-LLSD-001	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2007-LLSD-002	Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.	Yes	N/A
2007-LLSD-003	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	No	Finding 2008-LLSD-001
2007-LLSD-004	Ohio Revised Code Section 5705.36, in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the District Treasurer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.	No	Finding 2008-LLSD-002



Mary Taylor, CPA
Auditor of State

LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2010