

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

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

**SCOTT OSBORNE, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

We have reviewed the *Independent Auditor's Report* of the Lucas Local School District, Richland 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 Lucas Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 4, 2009

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**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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**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  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Lucas Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise Lucas Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lucas 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Lucas Local School District, Richland County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the 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 January 28, 2009, on our consideration of Lucas 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.

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 supplementary information. However, we did not audit the information and express no opinion on it.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
January 28, 2009

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

The management's discussion and analysis of the Lucas 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 fiscal year 2008 are as follows:

- In total, net assets of governmental activities increased \$694,295 which represents a 23.12% increase from 2007.
- General revenues accounted for \$5,043,103 in revenue or 86.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$790,845 or 13.56% of total revenues of \$5,833,948.
- The District had \$5,139,653 in expenses related to governmental activities; \$790,845 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,043,103 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$5,203,043 in revenues and \$4,368,761 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$834,282 from \$1,443,578 to \$2,277,860.

**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 is by far the most significant fund, and the only governmental fund reported as a major fund.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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 fund 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 only major governmental fund is the general 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.

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.



**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. 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 24-49 of this report.

**The District as a Whole**

Recall that 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 at June 30, 2008 and June 30, 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,122,774	\$ 4,340,342
Capital assets, net	<u>1,185,480</u>	<u>1,312,082</u>
Total assets	<u>6,308,254</u>	<u>5,652,424</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,423,861	2,463,177
Long-term liabilities	<u>187,153</u>	<u>186,302</u>
Total liabilities	<u>2,611,014</u>	<u>2,649,479</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	1,185,480	1,312,082
Restricted	434,653	428,601
Unrestricted	<u>2,077,107</u>	<u>1,262,262</u>
Total net assets	<u>\$ 3,697,240</u>	<u>\$ 3,002,945</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 \$3,697,240. Of this total, \$2,077,107 is unrestricted in use.

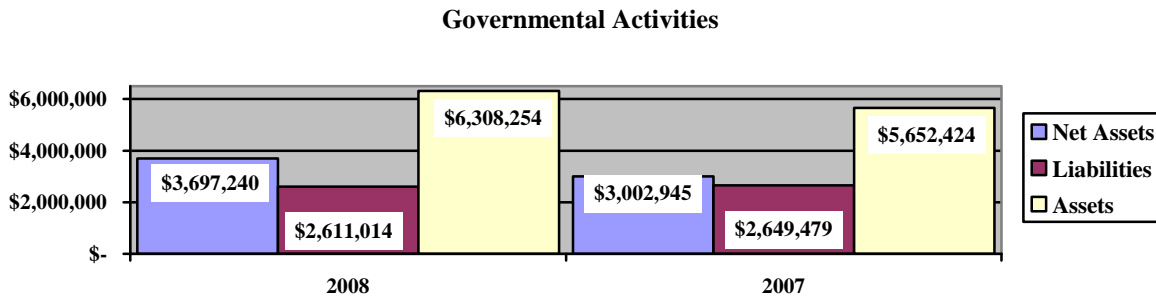
**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

At fiscal year-end, capital assets represented 18.79% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of accumulated depreciation, at June 30, 2008, were \$1,185,480. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$434,653 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,077,107 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities assets, liabilities and net assets at June 30, 2008 and 2007:



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

	Governmental Activities 2008	Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 250,516	\$ 238,346
Operating grants and contributions	537,048	580,324
Capital grants and contributions	3,281	11,032
General revenues:		
Property taxes	2,576,268	2,209,499
Grants and entitlements	2,361,544	2,268,978
Investment earnings	74,570	98,005
Other	30,721	13,148
Total revenues	5,833,948	5,419,332

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,044,840	\$ 1,986,285
Special	562,199	417,865
Vocational	11,217	6,784
Other	245,420	299,160
Support services:		
Pupil	66,604	132,887
Instructional staff	173,071	179,743
Board of education	21,999	32,459
Administration	580,108	557,109
Fiscal	209,507	214,166
Operations and maintenance	434,232	450,338
Pupil transportation	372,446	320,128
Central	51,473	27,204
Operations of non-instructional services:		
Food service operations	194,322	180,673
Other non-instructional services	909	437
Extracurricular activities	<u>171,306</u>	<u>175,437</u>
Total expenses	<u>5,139,653</u>	<u>4,980,675</u>
Change in net assets	694,295	438,657
Net assets at beginning of year	<u>3,002,945</u>	<u>2,564,288</u>
Net assets at end of year	<u><u>\$ 3,697,240</u></u>	<u><u>\$ 3,002,945</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$694,295. Total governmental expenses of \$5,139,653 were offset by program revenues of \$790,845 and general revenues of \$5,043,103. Program revenues supported 15.39% 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 84.64% of total governmental revenue.

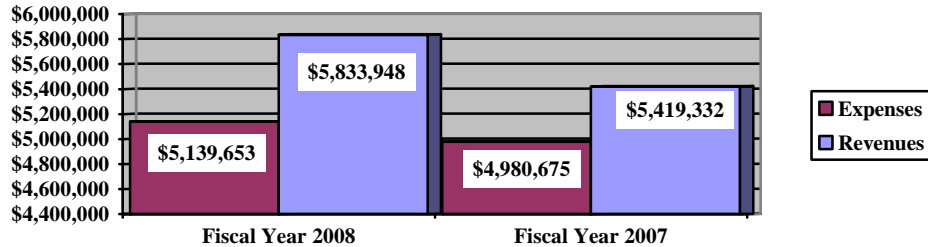
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,863,676 or 55.72% of total governmental expenses for fiscal year 2008.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,044,840	\$ 1,968,156	\$ 1,986,285	\$ 1,919,833
Special	562,199	206,092	417,865	130,490
Vocational	11,217	9,261	6,784	940
Other	245,420	245,420	299,160	299,160
Support services:				
Pupil	66,604	60,806	132,887	23,555
Instructional staff	173,071	164,366	179,743	166,444
Board of education	21,999	21,999	32,459	32,459
Administration	580,108	543,291	557,109	518,432
Fiscal	209,507	200,507	214,166	205,166
Operations and maintenance	434,232	434,232	450,338	450,338
Pupil transportation	372,446	349,334	320,128	297,357
Central	51,473	44,118	27,204	20,588
Operations of non-instructional services:				
Food service operations	194,322	(3,401)	180,673	(16,228)
Other non-instructional services	909	(907)	437	437
Extracurricular activities	171,306	105,534	175,437	102,002
<b>Total expenses</b>	<u>\$ 5,139,653</u>	<u>\$ 4,348,808</u>	<u>\$ 4,980,675</u>	<u>\$ 4,150,973</u>

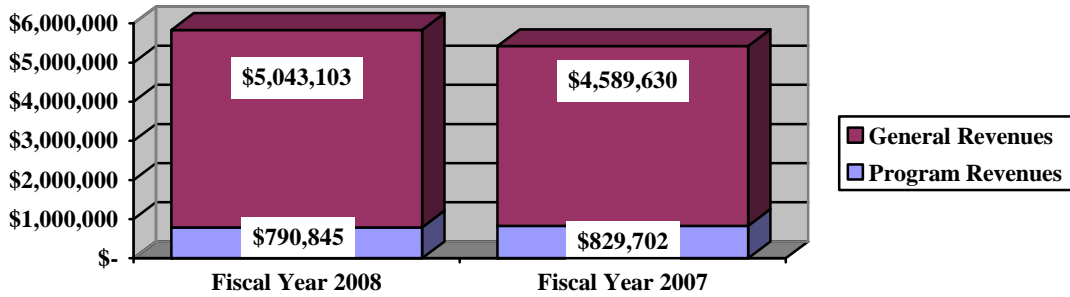
The dependence upon tax and other general revenues for governmental activities is apparent, 84.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.61%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,528,311 which is higher than last year's total of \$1,661,783. 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	\$ 2,277,860	\$ 1,443,578	\$ 834,282	57.79 %
Other Governmental	<u>250,451</u>	<u>218,205</u>	<u>32,246</u>	14.78 %
Total	<u>\$ 2,528,311</u>	<u>\$ 1,661,783</u>	<u>\$ 866,528</u>	52.14 %

**General Fund**

The District's general fund balance increased \$834,282.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,549,469	\$ 2,202,591	\$ 346,878	15.75 %
Tuition	4,614	4,124	490	11.88 %
Earnings on investments	68,944	95,562	(26,618)	(27.85) %
Intergovernmental	2,536,180	2,471,217	64,963	2.63 %
Other revenues	<u>43,836</u>	<u>19,413</u>	<u>24,423</u>	125.81 %
Total	<u>\$ 5,203,043</u>	<u>\$ 4,792,907</u>	<u>\$ 410,136</u>	8.56 %
<b><u>Expenditures</u></b>				
Instruction	\$ 2,467,285	\$ 2,516,675	\$ (49,390)	(1.96) %
Support services	1,793,346	1,670,001	123,345	7.39 %
Non-instructional services	909	437	472	108.01 %
Extracurricular activities	87,221	110,683	(23,462)	(21.20) %
Facilities acquisition and construction	<u>-</u>	<u>256</u>	<u>(256)</u>	(100.00) %
Total	<u>\$ 4,348,761</u>	<u>\$ 4,298,052</u>	<u>\$ 50,709</u>	1.18 %

Revenues of the general fund increased \$410,136 or 8.56%. The most significant increases were in the areas of taxes and intergovernmental revenues. Tax revenue increased \$346,878 or 15.75%. This increase is primarily the result of taxes that were available to advance by the County at June 30<sup>th</sup>. At June 30, 2008 and June 30, 2007, the amount available for advance was \$566,080 and \$357,158, respectively. These amounts were booked as revenue in the corresponding fiscal year. Additionally, the voters approved an emergency levy in May 2007. Collection of the levy began in fiscal year 2008. The increase of \$64,963 in intergovernmental revenue can be attributed to an increase in State foundation revenues and an increase in tangible personal property tax loss reimbursements from the State pursuant to Am. Sub House Bill 66. Other revenues increased due to an increase in other local revenues.

Expenditures of the general fund increased \$50,709 or 1.18%. The most significant increase is in the area of support services. Support services increased \$123,345 or 7.39% due primarily to increases in contract wages for employees.

***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.

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues were \$4,399,015 and final budgeted revenues were \$4,506,230. Actual revenues for fiscal year 2008 were \$5,088,014. This represents a \$581,784 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,575,000 were decreased to \$5,565,000 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$5,620,933, which was \$55,933 more than the final budget appropriations.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2008, the District had \$1,185,480 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 year 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 328,875	\$ 328,875
Land improvements	3,512	4,703
Building and improvements	538,734	584,153
Furniture and equipment	149,466	182,985
Vehicles	164,893	211,366
Total	\$ 1,185,480	\$ 1,312,082

The overall decrease in capital assets of \$126,602 is due to depreciation expense of \$140,074 exceeding capital outlays of \$13,472 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 no debt outstanding. The District's long term obligations are limited to \$187,153 in compensated absences payable. Of this total, \$26,219 is due within one year and \$160,934 is due within greater than one year.

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

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

**Current Financial Related Activities**

The Board's five-year projections indicated the District would require additional operating money for fiscal year 2008. With careful management, additional reductions in spending, and the passage of a renewal levy and new emergency levy in May 2007, the District will not require additional operating money until 2011. In addition, the District employees took a wage freeze for the fiscal 2007 school year. In May 2007, the voters also approved an emergency levy that will generate \$686,000 per year starting in fiscal year 2008. With the passage of the levy and additional revenue expected, the District was able to negotiate a three-year agreement with employees that will provide additional benefits and wages.

A finance committee was created and it is made up of several community members, board members, superintendent and the treasurer. The committee is reviewing and learning about spending decisions made by the District in an effort to better understand the complexities of school funding and the fiscal position of the District. The committee is also researching alternative funding for the District.

The District faces several challenges: the aging facilities, the future of state funding and declining enrollment. The District currently loses in excess of \$150,000 per year to open enrollment and community schools. In May 2007, the District decided to allow incoming open enrollment students from surrounding Districts to help increase funding. This will be for a one-year trial period subject to annual approval. As a result of these challenges, all of the District's financial abilities will be called upon to meet these challenges. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, 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. Scott Osborne, Lucas Local School District, 84 Lucas North Road, Lucas, Ohio 44843-9532.



**BASIC  
FINANCIAL STATEMENTS**

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 2,456,625
Receivables:	
Taxes . . . . .	2,584,598
Accounts . . . . .	305
Intergovernmental . . . . .	68,419
Accrued interest . . . . .	5,379
Loans . . . . .	2,311
Prepayments . . . . .	2,035
Materials and supplies inventory . . . . .	3,102
Capital assets:	
Land . . . . .	328,875
Depreciable capital assets, net . . . . .	856,605
Capital assets, net . . . . .	1,185,480
 Total assets. . . . .	 6,308,254
 <b>Liabilities:</b>	
Accounts payable. . . . .	10,338
Accrued wages and benefits . . . . .	323,821
Pension obligation payable. . . . .	125,119
Intergovernmental payable . . . . .	15,935
Unearned revenue . . . . .	1,904,648
Claims payable . . . . .	44,000
Long-term liabilities:	
Due within one year. . . . .	26,219
Due in more than one year . . . . .	160,934
 Total liabilities . . . . .	 2,611,014
 <b>Net Assets:</b>	
Invested in capital assets . . . . .	1,185,480
Restricted for:	
Capital projects . . . . .	26,408
Locally funded programs . . . . .	11,533
State funded programs . . . . .	28,155
Federally funded programs . . . . .	30,906
Student activities . . . . .	38,896
Other purposes . . . . .	298,755
Unrestricted. . . . .	2,077,107
 Total net assets . . . . .	 \$ 3,697,240

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 2,044,840	\$ 22,177	\$ 54,507	\$ -	\$ (1,968,156)
Special . . . . .	562,199	-	356,107	-	(206,092)
Vocational . . . . .	11,217	-	1,956	-	(9,261)
Other . . . . .	245,420	-	-	-	(245,420)
Support services:					
Pupil . . . . .	66,604	-	5,798	-	(60,806)
Instructional staff . . . . .	173,071	-	8,705	-	(164,366)
Board of education . . . . .	21,999	-	-	-	(21,999)
Administration . . . . .	580,108	28,445	8,372	-	(543,291)
Fiscal . . . . .	209,507	-	9,000	-	(200,507)
Operations and maintenance . . . . .	434,232	-	-	-	(434,232)
Pupil transportation . . . . .	372,446	-	19,831	3,281	(349,334)
Central . . . . .	51,473	-	7,355	-	(44,118)
Operation of non-instructional services:					
Food service operations . . . . .	194,322	139,478	58,245	-	3,401
Other non-instructional services . . . . .	909	-	1,816	-	907
Extracurricular activities . . . . .	171,306	60,416	5,356	-	(105,534)
<b>Total governmental activities . . . . .</b>	<b>\$ 5,139,653</b>	<b>\$ 250,516</b>	<b>\$ 537,048</b>	<b>\$ 3,281</b>	<b>(4,348,808)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,576,268
Grants and entitlements not restricted	
to specific programs . . . . .	2,361,544
Investment earnings . . . . .	74,570
Miscellaneous . . . . .	30,721
<b>Total general revenues . . . . .</b>	<b>5,043,103</b>
Change in net assets . . . . .	694,295
<b>Net assets at beginning of year . . . . .</b>	<b>3,002,945</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 3,697,240</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 1,779,910	\$ 343,889	\$ 2,123,799
Receivables:			
Taxes. . . . .	2,584,598	-	2,584,598
Accounts . . . . .	305	-	305
Intergovernmental . . . . .	-	68,419	68,419
Accrued interest . . . . .	5,379	-	5,379
Loans . . . . .	2,311	-	2,311
Interfund loans receivable . . . . .	79,983	-	79,983
Due from other funds . . . . .	67	-	67
Prepayments . . . . .	2,035	-	2,035
Materials and supplies inventory . . . . .	-	3,102	3,102
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	298,662	-	298,662
Total assets . . . . .	<u>\$ 4,753,250</u>	<u>\$ 415,410</u>	<u>\$ 5,168,660</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 9,877	\$ 461	\$ 10,338
Accrued wages and benefits . . . . .	307,383	16,438	323,821
Pension obligation payable. . . . .	119,771	5,348	125,119
Intergovernmental payable. . . . .	15,121	814	15,935
Interfund loans payable. . . . .	-	79,983	79,983
Due to other funds. . . . .	-	67	67
Deferred revenue. . . . .	118,590	61,848	180,438
Unearned revenue. . . . .	1,904,648	-	1,904,648
Total liabilities . . . . .	<u>2,475,390</u>	<u>164,959</u>	<u>2,640,349</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	1,030,915	94,655	1,125,570
Reserved for materials and supplies inventory. . . . .	-	3,102	3,102
Reserved for prepayments . . . . .	2,035	-	2,035
Reserved for property tax unavailable for appropriation . . . . .	566,080	-	566,080
Reserved for school bus purchases . . . . .	16,416	-	16,416
Reserved for textbooks. . . . .	205,208	-	205,208
Reserved for capital acquisition . . . . .	77,038	-	77,038
Unreserved, undesignated, reported in:			
General fund . . . . .	380,168	-	380,168
Special revenue funds. . . . .	-	126,342	126,342
Capital projects funds. . . . .	-	26,352	26,352
Total fund balances . . . . .	<u>2,277,860</u>	<u>250,451</u>	<u>2,528,311</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,753,250</u>	<u>\$ 415,410</u>	<u>\$ 5,168,660</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

<b>Total governmental fund balances</b>		\$	2,528,311
<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.			1,185,480
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	113,211	
Intergovernmental receivable		61,848	
Accrued interest receivable		5,379	
			180,438
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			(9,836)
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			(187,153)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u><u>3,697,240</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,549,469	\$ -	\$ 2,549,469
Tuition. . . . .	4,614	-	4,614
Charges for services. . . . .	-	137,825	137,825
Earnings on investments. . . . .	68,944	1,653	70,597
Extracurricular. . . . .	-	88,861	88,861
Classroom materials and fees . . . . .	17,157	406	17,563
Other local revenues. . . . .	26,679	14,970	41,649
Intergovernmental - intermediate. . . . .	-	23,262	23,262
Intergovernmental - state. . . . .	2,536,180	26,960	2,563,140
Intergovernmental - federal . . . . .	-	335,458	335,458
Total revenues . . . . .	<u>5,203,043</u>	<u>629,395</u>	<u>5,832,438</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	1,896,526	54,145	1,950,671
Special. . . . .	315,524	240,891	556,415
Vocational. . . . .	9,815	-	9,815
Other. . . . .	245,420	-	245,420
Support services:			
Pupil. . . . .	61,369	5,226	66,595
Instructional staff . . . . .	146,733	939	147,672
Board of education . . . . .	21,999	-	21,999
Administration. . . . .	553,773	38,840	592,613
Fiscal . . . . .	207,861	-	207,861
Operations and maintenance. . . . .	426,414	-	426,414
Pupil transportation . . . . .	327,832	-	327,832
Central. . . . .	47,365	7,768	55,133
Operation of non-instructional services:			
Food service operations . . . . .	-	187,223	187,223
Other non-instructional services . . . . .	909	-	909
Extracurricular activities. . . . .	87,221	82,117	169,338
Total expenditures . . . . .	<u>4,348,761</u>	<u>617,149</u>	<u>4,965,910</u>
Excess of revenues over expenditures . . . . .	<u>854,282</u>	<u>12,246</u>	<u>866,528</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	20,000	20,000
Transfers (out). . . . .	(20,000)	-	(20,000)
Total other financing sources (uses) . . . . .	<u>(20,000)</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances . . . . .	834,282	32,246	866,528
<b>Fund balances at beginning of year . . . . .</b>	<u>1,443,578</u>	<u>218,205</u>	<u>1,661,783</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,277,860</u>	<u>\$ 250,451</u>	<u>\$ 2,528,311</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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** \$ 866,528

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	13,472	
Current year depreciation		(140,074)	
Total			(126,602)

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

Taxes		26,799	
Intergovernmental		(30,915)	
Earnings on investments		5,379	
Total			1,263

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. (4,554)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (42,340)

**Change in net assets of governmental activities** \$ 694,295

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,001,136	\$ 2,051,043	\$ 2,342,598	\$ 291,555
Tuition. . . . .	3,941	4,040	4,614	574
Earnings on investments. . . . .	82,902	84,970	97,048	12,078
Classroom materials and fees . . . . .	14,656	15,022	17,157	2,135
Other local revenues . . . . .	22,701	23,265	26,573	3,308
Intergovernmental - state . . . . .	2,173,679	2,227,890	2,544,583	316,693
Total revenues. . . . .	<u>4,299,015</u>	<u>4,406,230</u>	<u>5,032,573</u>	<u>626,343</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,371,059	2,366,768	2,366,728	40
Special. . . . .	494,691	493,795	493,787	8
Vocational. . . . .	9,833	9,815	9,815	-
Other. . . . .	355,088	354,445	354,439	6
Support services:				
Pupil. . . . .	67,794	67,671	67,670	1
Instructional staff . . . . .	180,164	179,838	179,835	3
Board of education . . . . .	38,859	38,789	38,788	1
Administration. . . . .	648,007	646,834	646,823	11
Fiscal . . . . .	281,334	280,825	280,820	5
Operations and maintenance. . . . .	500,833	499,926	499,918	8
Pupil transportation . . . . .	413,890	413,141	413,134	7
Central. . . . .	60,070	59,961	59,960	1
Other non-instructional services . . . . .	3,931	3,924	3,924	-
Extracurricular activities. . . . .	99,247	99,068	99,066	2
Facilities acquisition and construction. . . . .	200	200	200	-
Total expenditures . . . . .	<u>5,525,000</u>	<u>5,515,000</u>	<u>5,514,907</u>	<u>93</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(1,225,985)</u>	<u>(1,108,770)</u>	<u>(482,334)</u>	<u>626,436</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(20,000)	(20,000)	(20,000)	-
Advances in. . . . .	100,000	100,000	55,441	(44,559)
Advances out . . . . .	(30,000)	(30,000)	(86,026)	(56,026)
Total other financing sources (uses) . . . . .	<u>50,000</u>	<u>50,000</u>	<u>(50,585)</u>	<u>(100,585)</u>
Net change in fund balance . . . . .	(1,175,985)	(1,058,770)	(532,919)	525,851
<b>Fund balance at beginning of year. . . . .</b>	1,022,130	1,022,130	1,022,130	-
<b>Prior year encumbrances appropriated . . . . .</b>	558,884	558,884	558,884	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 405,029</u>	<u>\$ 522,244</u>	<u>\$ 1,048,095</u>	<u>\$ 525,851</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and investments . . . . .	\$ 34,164
Total assets . . . . .	<u>34,164</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>44,000</u>
Total liabilities. . . . .	<u>44,000</u>
<b>Net assets:</b>	
Unrestricted (deficit) . . . . .	<u>(9,836)</u>
Total net assets (deficit). . . . .	<u><u>\$ (9,836)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 420,435
Total operating revenues. . . . .	420,435
<b>Operating expenses:</b>	
Purchased services . . . . .	22,236
Claims . . . . .	440,786
Total operating expenses. . . . .	463,022
Operating loss. . . . .	(42,587)
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	247
Change in net assets . . . . .	(42,340)
<b>Net assets at beginning of year . . . . .</b>	<b>32,504</b>
<b>Net assets (deficit) at end of year . . . . .</b>	<b>\$ (9,836)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services . . . . .	\$ 420,435
Cash payments for purchased services . . . . .	(22,236)
Cash payments for claims . . . . .	(447,170)
	(48,971)
Net cash used in operating activities . . . . .	(48,971)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	247
	247
Net cash provided by investing activities. . . . .	247
Net decrease in cash and cash equivalents . . . . .	(48,724)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>82,888</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 34,164</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (42,587)
Changes in assets and liabilities:	
(Decrease) in claims payable. . . . .	(6,384)
	(6,384)
Net cash used in operating activities . . . . .	\$ (48,971)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 52,281	\$ 24,715
Total assets. . . . .	52,281	24,715
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 6
Loans payable. . . . .	-	2,311
Due to students . . . . .	-	22,398
Total liabilities . . . . .	-	\$ 24,715
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	52,281	
Total net assets . . . . .	\$ 52,281	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 4,461
Total additions. . . . .	4,461
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,449
Change in net assets . . . . .	12
<b>Net assets at beginning of year . . . . .</b>	<b>52,269</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 52,281</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

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

The District ranks as the 610th largest by total enrollment among the 896 public school districts and community schools in the State of Ohio. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 34 classified and 40 certificated full-time employees.

**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 and to its proprietary fund 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" 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, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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 organization's 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).

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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 ORGANIZATION*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG is an association of public school districts within the boundaries of Ashland, Crawford, Huron, Marion, Morrow, Richland, Seneca, and Wyandot counties. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each member school district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Cooperative Assembly consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Cooperative Assembly. During fiscal year 2008, the District paid \$21,792 to the COG for various services. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

*PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Metropolitan Education Council Purchasing Group

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program: custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

**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 is the District's major governmental fund:



**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

*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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose, and (c) for food service operations.

*PROPRIETARY FUND*

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 enterprise funds. The following is a description of the District's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical, dental, vision and life insurance to employees.

*FIDUCIARY FUNDS*

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

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

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include the claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

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

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).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

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 on the governmental fund financial statements.

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.

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

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

**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 Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. 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. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. 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. 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. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. 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 investments" on the financial statements.

During fiscal year 2008, investments were limited to STAR Ohio, non-negotiable certificates of deposit, and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (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 statute, interest earnings are assigned to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$68,944 which includes \$12,089 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, 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. on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund statements and on the government-wide statements.

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals 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 \$500. 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, which were modified from prior year:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	15 - 25 years
Buildings and improvements	15 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Amounts "due to/from other funds" represent monies required to cover negative cash balances in a particular fund. These amounts are eliminated in the governmental activities column on the statement of net assets.

Receivables resulting from loans to the agency fund are reported as loans receivable on the governmental fund financial statements.

**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.

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

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. 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 reported.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, 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.

**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 equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, school bus purchases, capital acquisition and textbooks. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. 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 consist of monies restricted by State statute for the purchase of textbook and instructional materials, monies restricted by State statute for capital acquisition and maintenance, monies restricted by the State of Ohio for school bus purchases and monies related to certain special revenue activities.

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

**N. Prepayments**

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

**O. 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.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and a capital acquisition reserve. These reserves are required by State statute. In addition, the District has restricted monies restricted by the State of Ohio for school bus purchases. A schedule of statutory reserves and detail on the District's restricted assets is presented in Note 16.

**Q. 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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.



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

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

**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.

**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 13) 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 Funds</u>	<u>Deficit</u>
Title VI - B	\$ 19,188
Title I	18,625

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities. In addition, the Title VI-B fund had a negative cash balance at fiscal year end which has been recorded as a liability on the fund financial statements (see Note 5.D).

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND 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 items 1 and 2 above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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.

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

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

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 \$1,223,751. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,072,848 of the District's bank balance of \$1,370,848 was exposed to custodial risk as discussed below, while \$298,000 was covered by the Federal Deposit Insurance Corporation.

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**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 238,868	\$ 238,868	\$ -	\$ -	\$ -	\$ -
Negotiable cd's	<u>1,071,002</u>	<u>98,812</u>	<u>95,502</u>	<u>98,361</u>	<u>683,156</u>	<u>95,171</u>
Total	<u>\$ 1,309,870</u>	<u>\$ 337,680</u>	<u>\$ 95,502</u>	<u>\$ 98,361</u>	<u>\$ 683,156</u>	<u>\$ 95,171</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

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

*Credit Risk:* 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 service rating.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 238,868	18.24
Negotiable CD's	<u>1,071,002</u>	<u>81.76</u>
Total	<u>\$ 1,309,870</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 above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,223,751
Investments	<u>1,309,870</u>
Total	<u>\$ 2,533,621</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,456,625
Private-purpose trust funds	52,281
Agency funds	<u>24,715</u>
Total	<u>\$ 2,533,621</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
General fund	\$ 20,000

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

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

Transfers are used to 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 to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund balances at June 30, 2008 as reported on the fund financial statements consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 79,983

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan From</u>	<u>Loan To</u>	<u>Amount</u>
General	Agency	\$ 2,311

This loan is expected to be repaid in the subsequent year as resources become available in the agency fund.

- D.** Amounts “due to/from other funds” consisted of the following at fiscal year end:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Nonmajor governmental funds	General	\$ 67

The amount due to/from other funds was required to cover a negative cash balance in the Title VI-B fund (a nonmajor governmental fund) at fiscal year end. The negative cash balance is expected to be eliminated in the subsequent year as resources become available. Amounts due to/from 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.

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

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

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.

The District receives property taxes from Richland and Ashland Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County Auditors 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. The amount available as an advance at June 30, 2008 was \$566,080 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2007 was \$357,158 in the general fund.

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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

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

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>
Agricultural/residential and other real estate	\$ 56,862,890	79.40	\$ 55,819,320	79.69
Public utility personal	13,510,530	18.87	13,346,000	19.05
Tangible personal property	<u>1,241,190</u>	<u>1.73</u>	<u>879,150</u>	<u>1.26</u>
Total	<u>\$ 71,614,610</u>	<u>100.00</u>	<u>\$ 70,044,470</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.30		\$40.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts, accrued interest, 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:**

Property taxes	\$ 2,584,598
Intergovernmental	68,419
Accounts	305
Accrued interest	<u>5,379</u>
Total	<u>\$ 2,658,701</u>

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

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

**NOTE 8 - CAPITAL ASSETS**

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

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2008</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 328,875	\$ -	\$ -	\$ 328,875
Total capital assets, not being depreciated	<u>328,875</u>	<u>-</u>	<u>-</u>	<u>328,875</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	213,854	-	-	213,854
Buildings and improvements	2,862,615	4,009	-	2,866,624
Furniture and equipment	1,391,430	9,463	-	1,400,893
Vehicles	<u>585,462</u>	<u>-</u>	<u>-</u>	<u>585,462</u>
Total capital assets, being depreciated	<u>5,053,361</u>	<u>13,472</u>	<u>-</u>	<u>5,066,833</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(209,151)	(1,191)	-	(210,342)
Buildings and improvements	(2,278,462)	(49,428)	-	(2,327,890)
Furniture and equipment	(1,208,445)	(42,982)	-	(1,251,427)
Vehicles	<u>(374,096)</u>	<u>(46,473)</u>	<u>-</u>	<u>(420,569)</u>
Total accumulated depreciation	<u>(4,070,154)</u>	<u>(140,074)</u>	<u>-</u>	<u>(4,210,228)</u>
Governmental activities capital assets, net	<u>\$ 1,312,082</u>	<u>\$ (126,602)</u>	<u>\$ -</u>	<u>\$ 1,185,480</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 44,480
Special	2,171
Vocational	1,402
<u>Support Services:</u>	
Instructional staff	19,554
Administration	1,038
Fiscal	2,139
Operations and maintenance	12,415
Pupil transportation	45,122
Central	623
Extracurricular activities	3,326
Food service operations	<u>7,804</u>
Total depreciation expense	<u>\$ 140,074</u>



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

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding June 30, 2007	Additions	Reductions	Balance Outstanding June 30, 2008	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 186,302	\$ 35,118	\$ (34,267)	\$ 187,153	\$ 26,219
Total long-term obligations, governmental activities	<u>\$ 186,302</u>	<u>\$ 35,118</u>	<u>\$ (34,267)</u>	<u>\$ 187,153</u>	<u>\$ 26,219</u>

Compensated absences will be paid primarily from the general fund.

**B. Legal Debt Margin**

The Ohio Revised Code (ORC) provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The ORC 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 margin 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 calculation 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 voted debt margin of \$6,164,049 and an unvoted debt margin of \$68,489.

**NOTE 10 - COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can carry over up to 10 days at the end of his contract, and the Treasurer who can carry over up to 5 days at the end of his contract. Teachers do not earn vacation time.

Administrators, teachers, and classified employees earn sick leave at a rate of 1 and 1/4 days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made to employees with 10 or more years of service at the District for 25% of the total sick leave accumulation with a maximum of 60 days payment.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - COMPENSATED ABSENCES - (Continued)**

The District offers a one-time exit bonus for all part-time employees with a minimum of 10 consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the State Teachers Retirement System of Ohio (STRS Ohio) or School Employees Retirement System of Ohio (SERS). This exit bonus applies only to part-time employees who have not previously retired from STRS Ohio or SERS. Upon retirement, the exit bonus will be calculated on a formula of 25% of the first 120 days of accrued sick leave. This bonus is included as a component of “compensated absences payable” on the basic financial statements. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement. For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

<u>Accumulated sick leave</u>	<u>Exit bonus shall be increased by:</u>	<u>Total exit bonus days</u>
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 159 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 240 days	10 additional days	40

The maximum exit bonus that any employee can earn is forty days.

**NOTE 11 - RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District retained property insurance coverage in the blanket amount of \$16,683,048 with 100% coinsurance, replacement cost endorsement and a \$1,000 deductible. The District also has inland marine floaters in the amount of \$520,620 with a \$500 deductible for coverage of audio visual equipment, two-way radios, tractors, musical instruments and uniforms.

Vehicles are covered by a policy through Indiana Insurance Company, which provides for a \$250 deductible for comprehensive and a \$500 deductible for collision. Vehicle liability has a \$2,000,000 combined single limit of liability.

Indiana Insurance Company also provides general liability coverage with a \$1,000,000 single occurrence limit and an aggregate of \$5,000,000 with no deductible.

Settled claims have not exceeded coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

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

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Employee Dishonesty Bonds**

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of \$20,000. Also, an employee blanket dishonesty bond in the amount of \$100,000 is provided to cover all other employees of the District.

**C. Workers' Compensation Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). 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 Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

**D. Employee Group Life, Medical, Dental, and Vision Insurance**

Medical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The District maintained its self-insurance program for insurance benefits with American Benefits Management (a third-party administrator). The District has elected to maintain the funds within the District; however, monthly premiums (both employee and employer) portions are paid out of the respective employee funds and paid into the self-insurance fund. The third-party administrator processes the claims which are approved by the District Treasurer. Monies are then transferred to a clearing account and claims are paid.

The claims liability of \$44,000 reported in the internal service fund at June 30, 2008, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 50,384	\$ 440,786	\$ (447,170)	\$ 44,000
2007	75,706	370,575	(395,897)	50,384

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

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$74,704, \$78,239 and \$76,698, respectively; 47.58 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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - 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 \$261,548, \$257,349, and \$252,248, respectively; 83.33 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,199 made by the District and \$10,728 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS of 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 13 - 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - 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 \$45,621, \$37,734, and \$38,592, respectively; 47.58 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 \$5,383, \$5,320, and \$6,104, respectively; 47.58 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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

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 \$20,119, \$19,796, and \$19,404, respectively; 83.33 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**LUCAS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (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);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) 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:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (532,919)
Net adjustment for revenue accruals	170,470
Net adjustment for expenditure accruals	123,604
Net adjustment for other sources/uses	30,585
Adjustment for encumbrances	<u>1,042,542</u>
GAAP basis	<u>\$ 834,282</u>

**NOTE 15 - 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 16 - STATUTORY RESERVES**

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	<u>Textbook/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 126,217	\$ 62,093
Current year set-aside requirement	83,553	83,553
Qualifying disbursements	<u>(4,562)</u>	<u>(68,608)</u>
Total	<u>\$ 205,208</u>	<u>\$ 77,038</u>
Balance carried forward to FY 2009	<u>\$ 205,208</u>	<u>\$ 77,038</u>

The District qualifying disbursements were not sufficient to reduce the set-aside amounts below zero for textbooks/instructional materials or capital acquisition. In addition to the above statutory reserves, the District also received monies restricted by the State of Ohio for school bus purchases. The balance in the monies restricted for school bus purchases was \$16,416 at June 30, 2008. A restriction of equity in pooled cash and a reservation of fund balance has been established in the general fund in the amount of \$298,662.

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

Amounts restricted for capital acquisition	\$ 77,038
Amounts restricted for bus purchase	16,416
Amounts restricted for textbooks	<u>205,208</u>
Total restricted assets	<u>\$ 298,662</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  
Lucas Local School District  
84 Lucas North Road  
Lucas, Ohio 44843

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Lucas Local School District as of and for the fiscal year ended June 30, 2008, which collectively comprise Lucas Local School District's basic financial statements and have issued our report thereon dated January 28, 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 Lucas 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 Lucas Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Lucas Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Lucas 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 Lucas Local School District's financial statements that is more than inconsequential will not be prevented or detected by Lucas Local School District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2008-LLSD-001 to be a significant deficiency in internal control over financial reporting.

Board of Education  
Lucas Local School District

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 Lucas 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2008-LLSD-001 to be a material weakness.

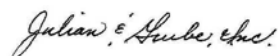
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lucas 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2008-LLSD-002 and 2008-LLSD-003.

We noted certain matters that we reported to the management of Lucas Local School District in a separate letter dated January 28, 2009.

Lucas 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 Lucas 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 Lucas Local School District and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.  
January 28, 2009

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2008-LLSD-001

Significant Deficiency/Material Weakness

In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

The District lacks controls over timely and accurate financial reports. The District did not provide the documentation to file a complete and accurate audit report until the end of January 2009, one month beyond the due date of the audit.

There were constant delays in receiving timely and current financial information and District response. In addition, there were modifications to the GAAP report subsequent to the filing deadline, but prior to submitting to audit. This lack of controls over financial reporting could significantly impact management's ability to effectively guide the District. Critical areas such as financial analysis could negatively impact the District.

We recommend the District management take a more active role in overseeing the financial reporting process. We further recommend that they evaluate steps necessary to ensure financial reports are issued in a timely manner. This will help ensure that reports are submitted as required.

Client's Response: The Treasurer is aware of the requirements and is making an effort to be more timely for financial reporting for the fiscal year ended 2009.

Finding Number	2008-LLSD-002
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Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

The District had appropriations in excess of estimated resources at September 30, 2007 and June 30, 2008 in the following funds:

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-LLSD-002 - (Continued)

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<b>June 30, 2008</b>			
<u>Nonmajor funds</u>			
Other Grant Funds	\$ 25,000	\$ 32,870	\$ 7,870
Post Secondary Vocational Education	718	810	92
Miscellaneous Federal Grants	62,258	92,790	30,532
Title VI-B	140,689	160,000	19,311
Title I	50,951	88,000	37,049
Title II-A	22,467	25,148	2,681
Permanent Improvement	11,861	30,360	18,499
<b>September 30, 2007</b>			
<u>Nonmajor funds</u>			
Other Grant Funds	\$ 19,207	\$ 22,870	\$ 3,663
SchoolNet Professional Development	2,800	5,025	2,225
Summer Intervention	1,358	2,589	1,231
Title I	47,283	50,951	3,668

With appropriations exceeding estimated resources, the District is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over-appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the District comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

*Client Response:* The Treasurer will attempt to update estimated revenues on a more timely basis.

Finding Number	2008-LLSD-003
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Ohio Revised Code Sections 5705.36, in part, requires Treasurers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

During the fiscal year ended June 30, 2008 the District did not request enough 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.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2008-LLSD-003 - (Continued)

We recommend that the District certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the District's appropriation process.

*Client Response:* The District will attempt to monitor its estimated revenues more closely and will request amended certificates as needed.

**LUCAS LOCAL SCHOOL DISTRICT  
RICHLAND COUNTY, OHIO**

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

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2007-LLSD-001	SAS-112 significant deficiency/material weakness over controls related to health insurance claims processing by a third-party administrator.	Yes	N/A
2007-LLSD-002	SAS-112 significant deficiency/material weakness in which the District did not have accurate, with supporting documentation, reconciled bank to book statements.	Yes	N/A
2007-LLSD-003	SAS-112 significant deficiency/material weakness in which the District lacks control over timely and accurate financial reports.	No	Repeated as finding 2008-LLSD-001
2007-LLSD-004	SAS-112 significant deficiency/material weakness over properly recording financial transactions.	Yes	N/A
2007-LLSD-005	Ohio Revised Code Section 5705.41(B) in part requires that expenditures shall not exceed appropriations.	Yes	N/A
2007-LLSD-006	Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations.	Yes	N/A
2007-LLSD-007	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.	Yes	N/A



Mary Taylor, CPA  
Auditor of State

LUCAS LOCAL SCHOOL DISTRICT

RICHLAND COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 17, 2009