

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

TONY MEDIATE, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Lowellville Local School District, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 1, 2012

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Lowellville Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lowellville Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Lowellville Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of the Lowellville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Lowellville Local School District

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis and as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Lowellville Local School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
December 15, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Lowellville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$161,861 which represents a 1.13% increase from 2010.
- General revenues accounted for \$3,193,311 in revenue or 53.86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,735,884 or 46.14% of total revenues of \$5,929,195.
- The District had \$5,767,334 in expenses related to governmental activities; \$2,735,884 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,193,311 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and capital projects fund. The general fund had \$4,612,467 in revenues and \$4,401,015 in expenditures and other financing uses. During fiscal year 2011 the general fund's fund balance increased \$211,452 from a restated fund balance of \$2,176,566 to \$2,388,018.
- The District's capital projects fund had \$21,180 in revenues and no expenditures. During fiscal year 2011, the capital projects fund's fund balance increased \$21,180 from \$398,218 to \$419,398.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and capital projects fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-50 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 5,783,977	\$ 5,361,178
Capital assets, net	<u>12,285,383</u>	<u>12,694,147</u>
Total assets	<u>18,069,360</u>	<u>18,055,325</u>
<u>Liabilities</u>		
Current liabilities	1,596,036	1,671,057
Long-term liabilities	<u>1,969,558</u>	<u>2,042,363</u>
Total liabilities	<u>3,565,594</u>	<u>3,713,420</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	10,672,447	11,004,201
Restricted	1,820,810	1,777,381
Unrestricted	<u>2,010,509</u>	<u>1,560,323</u>
Total net assets	<u>\$ 14,503,766</u>	<u>\$ 14,341,905</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$14,503,766. Of this total, \$1,820,810 is restricted in use.

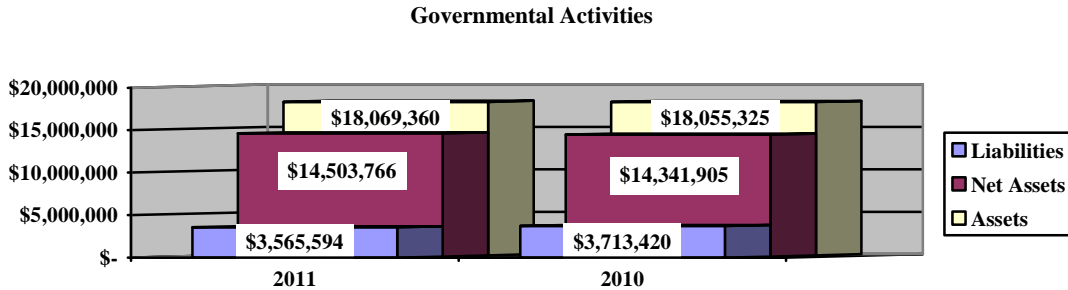
**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year-end, capital assets represented 67.99% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$10,672,447. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,820,810, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,010,509 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below show the District's governmental activities assets, liabilities and net assets for the fiscal years ended June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,695,346	\$ 1,576,402
Operating grants and contributions	1,040,538	586,129
General revenues:		
Property taxes	1,002,379	1,013,377
Grants and entitlements	2,128,200	2,512,279
Investment earnings	40,282	104,408
Other	22,450	5,254
Total revenues	5,929,195	5,797,849

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 2,936,726	\$ 2,769,130
Special	274,013	365,435
Vocational	31,040	30,234
Other	710	1,404
Support services:		
Pupil	125,221	130,067
Instructional staff	357,453	307,478
Board of education	37,687	15,020
Administration	382,710	365,435
Fiscal	173,130	154,343
Operations and maintenance	476,777	432,978
Pupil transportation	55,431	170,475
Central	36,522	40,705
Operations of non-instructional services:		
Food service operations	349,109	343,771
Extracurricular activities	442,337	395,170
Interest and fiscal charges	<u>88,468</u>	<u>92,047</u>
Total expenses	<u>5,767,334</u>	<u>5,613,692</u>
Change in net assets	161,861	184,157
Net assets at beginning of year	<u>14,341,905</u>	<u>14,157,748</u>
Net assets at end of year	<u>\$ 14,503,766</u>	<u>\$ 14,341,905</u>

Governmental Activities

Net assets of the District's governmental activities increased \$161,861. Total governmental expenses of \$5,767,334 were offset by program revenues of \$2,735,884 and general revenues of \$3,193,311. Program revenues supported 47.44% 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 52.80% of total governmental revenue.

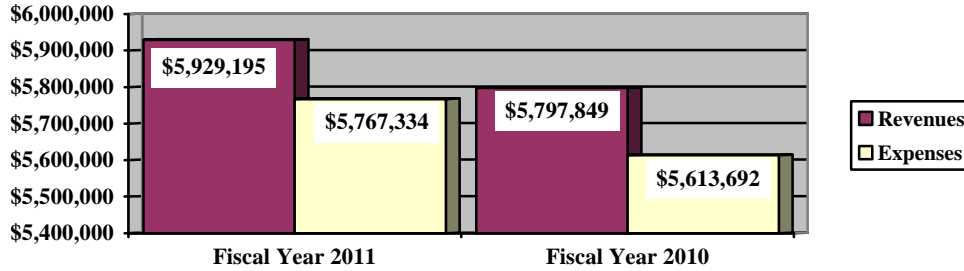
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,242,489 or 56.22% of total governmental expenses for fiscal 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

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 <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 2,936,726	\$ 1,300,949	\$ 2,769,130	\$ 1,409,025
Special	274,013	(127,861)	365,435	193,044
Vocational	31,040	23,262	30,234	22,514
Other	710	710	1,404	1,404
Support services:				
Pupil	125,221	96,864	130,067	85,979
Instructional staff	357,453	357,453	307,478	292,125
Board of education	37,687	37,687	15,020	15,020
Administration	382,710	370,234	365,435	351,630
Fiscal	173,130	165,654	154,343	154,343
Operations and maintenance	476,777	296,085	432,978	275,000
Pupil transportation	55,431	44,742	170,475	156,853
Central	36,522	(13,094)	40,705	14,573
Operations of non-instructional services:				
Food service operations	349,109	98,887	343,771	99,644
Extracurricular activities	442,337	291,410	395,170	287,960
Interest and fiscal charges	88,468	88,468	92,047	92,047
Total expenses	<u>\$ 5,767,334</u>	<u>\$ 3,031,450</u>	<u>\$ 5,613,692</u>	<u>\$ 3,451,161</u>

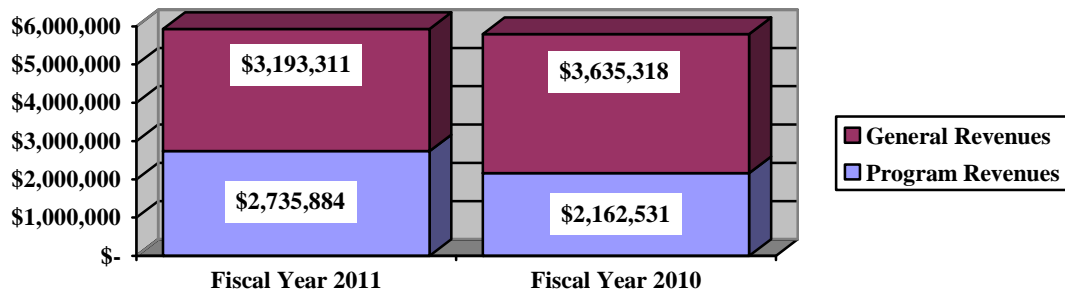
**LOWELLVILLE LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 36.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 52.56%. The District's property tax revenues and Foundation payments received from the State of Ohio are the primary sources of support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,906,127, which is greater than last year's total of \$3,528,828. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase	Percentage Change
General	\$ 2,388,018	\$ 2,176,566	\$ 211,452	9.71 %
Capital Projects	419,398	398,218	21,180	5.32 %
Other Governmental	<u>1,098,711</u>	<u>954,044</u>	<u>144,667</u>	15.16 %
Total	<u>\$ 3,906,127</u>	<u>\$ 3,528,828</u>	<u>\$ 377,299</u>	10.69 %

The balance of the general fund increased primarily due to the district's ability to stabilize revenues and minimize costs. These are discussed in more detail on the following page.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 832,308	\$ 845,146	\$ (12,838)	(1.52) %
Tuition	1,414,117	1,332,868	81,249	6.10 %
Earnings on investments	17,140	74,157	(57,017)	(76.89) %
Intergovernmental	2,313,926	2,463,838	(149,912)	(6.08) %
Other revenues	<u>34,976</u>	<u>15,939</u>	<u>19,037</u>	119.44 %
Total	<u>\$ 4,612,467</u>	<u>\$ 4,731,948</u>	<u>\$ (119,481)</u>	(2.52) %
<u>Expenditures</u>				
Instruction	\$ 2,706,111	\$ 2,662,627	\$ 43,484	1.63 %
Support services	1,450,768	1,273,433	177,335	13.93 %
Extracurricular activities	<u>210,369</u>	<u>193,242</u>	<u>17,127</u>	8.86 %
Total	<u>\$ 4,367,248</u>	<u>\$ 4,129,302</u>	<u>\$ 237,946</u>	5.76 %

As can be seen in the above table, revenues generated are sufficient to cover expenditures in the general fund. The increase in tuition revenue in the general fund was primarily due to an increase in open enrollment revenues from the prior year. Earnings on investments decreased due to the decrease in the fair market value of the District's investments from the prior year as well as the amount of interest the District was able to receive. Other revenues increased due to miscellaneous smaller revenues being received during the fiscal year compared to the prior year. Support services increased due to the increased costs in the areas of pupil, instructional staff and administrative expenditures related to the day to day operations of the District. All other expenditures remain comparable to the prior year and warrant no further explanation.

Capital Projects Fund

The District's capital projects fund had \$21,180 in revenues and no expenditures. During fiscal year 2011, the capital projects fund's fund balance increased \$21,180 from \$398,218 to \$419,398. The capital projects fund had interest earnings of \$21,180.

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues were \$4,649,179. Actual revenues for fiscal year 2011 were \$4,619,075. This was a \$30,104 decrease from the final budgeted revenues.

General fund original appropriations of \$5,650,367 were the same as the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$4,357,708, which was \$1,292,659 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$12,285,383 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 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 590,631	\$ 590,631
Land improvements	456,423	495,786
Building and improvements	10,523,605	10,893,768
Furniture and equipment	571,244	636,169
Vehicles	143,480	77,793
Total	\$ 12,285,383	\$ 12,694,147

The overall decrease in capital assets of \$408,764 is due to depreciation expense of \$578,991 exceeding capital outlays of \$170,227 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, 2010, the District had \$1,590,000 in general obligation bonds outstanding. Of this total, \$80,000 is due within one year and \$1,510,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2011	2010
General obligation bonds	\$ 1,590,000	\$ 1,665,000
Total	\$ 1,590,000	\$ 1,665,000

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Current Financial Related Activities

The District is and has been financially strong for a long period of time, extending back to 1985 when the last operating levy was approved by the voters. Since that time, only the 5.1 mill bond issue for the new K-12 School has been on the ballot and that was approved by 70% of the voters. Contributing to the financial soundness of the District is open enrollment, which has been in effect since 1994. The open enrollment program has been well managed from an educational and a financial viewpoint.

Although property taxes have remained flat for an extended period of time, the combination of State Funding (75% of revenue), open enrollment, and cost containment have allowed us to remain financially sound. Unrestricted State funding decreased in the last fiscal year compared to the previous fiscal year. Continued increases in open enrollment funding and continued cost containment policies have allowed the District to remain financially sound.

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

The District continues to be budget conscious as the future of education funding continues to be on a decline and its future revenues in question. For 2011, the District attained an excellent rating for the tenth consecutive year while continuing to operate at one of the lowest cost per pupil levels in the State and maintaining a learning environment in an up to date facility with classroom technology among the best in the State. We will continue to monitor our cost per pupil and eliminate unnecessary expenses while maintaining an excellent learning environment for our students.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tony Mediate, Treasurer, Lowellville Local School District, 52 Rocket Place, Lowellville, Ohio 44436.

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,291,813
Investments.	197,773
Receivables:	
Taxes	1,115,979
Accrued interest	12,529
Intergovernmental	141,743
Prepayments	1,993
Materials and supplies inventory.	5,786
Unamortized bond issuance costs	16,361
Capital assets:	
Land	590,631
Depreciable capital assets, net.	11,694,752
Capital assets, net	12,285,383
 Total assets.	 18,069,360
 Liabilities:	
Accounts payable.	3,712
Accrued wages and benefits	453,176
Pension obligation payable.	97,221
Intergovernmental payable	20,569
Accrued interest payable	6,778
Unearned revenue	1,014,580
Long-term liabilities:	
Due within one year.	138,251
Due in more than one year.	1,831,307
 Total liabilities	 3,565,594
 Net Assets:	
Invested in capital assets, net of related debt.	10,672,447
Restricted for:	
Capital projects	519,085
Debt service.	144,989
Classroom facilities maintenance	423,780
Federally funded programs	124,226
Student activities	9,653
Other purposes	599,077
Unrestricted	2,010,509
 Total net assets	 \$ 14,503,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 2,936,726	\$ 1,414,117	\$ 221,660	\$ (1,300,949)
Special	274,013	-	401,874	127,861
Vocational	31,040	-	7,778	(23,262)
Other	710	-	-	(710)
Support services:				
Pupil.	125,221	-	28,357	(96,864)
Instructional staff	357,453	-	-	(357,453)
Board of education	37,687	-	-	(37,687)
Administration.	382,710	-	12,476	(370,234)
Fiscal.	173,130	-	7,476	(165,654)
Operations and maintenance	476,777	620	180,072	(296,085)
Pupil transportation.	55,431	-	10,689	(44,742)
Central	36,522	-	49,616	13,094
Operation of non-instructional services:				
Food service operations	349,109	140,937	109,285	(98,887)
Extracurricular activities.	442,337	139,672	11,255	(291,410)
Interest and fiscal charges	88,468	-	-	(88,468)
Totals	\$ 5,767,334	\$ 1,695,346	\$ 1,040,538	(3,031,450)

General Revenues:

Property taxes levied for:	
General purposes	842,708
Special revenue	12,322
Debt service.	147,349
Grants and entitlements not restricted to specific programs	
Investment earnings	40,282
Miscellaneous	22,450
Total general revenues	3,193,311
Change in net assets	161,861
Net assets at beginning of year.	14,341,905
Net assets at end of year	\$ 14,503,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,054,891	\$ 1,119,398	\$ 959,747	\$ 4,134,036
Investments	-	-	197,773	197,773
Receivables:				
Taxes	898,968	-	217,011	1,115,979
Accrued interest	12,529	-	-	12,529
Intergovernmental	10,154	-	131,589	141,743
Loans to other funds	716,957	-	-	716,957
Prepayments	1,993	-	-	1,993
Materials and supplies inventory	-	-	5,786	5,786
Restricted assets:				
Equity in pooled cash and cash equivalents	157,777	-	-	157,777
Total assets	<u>\$ 3,853,269</u>	<u>\$ 1,119,398</u>	<u>\$ 1,511,906</u>	<u>\$ 6,484,573</u>
Liabilities:				
Accounts payable	\$ 1,111	\$ -	\$ 2,601	\$ 3,712
Accrued wages and benefits	417,642	-	35,534	453,176
Early retirement incentive payable	23,000	-	-	23,000
Pension obligation payable	89,716	-	7,505	97,221
Intergovernmental payable	18,571	-	1,998	20,569
Loans from other funds	-	700,000	16,957	716,957
Deferred revenue	103,211	-	146,020	249,231
Unearned revenue	812,000	-	202,580	1,014,580
Total liabilities	<u>1,465,251</u>	<u>700,000</u>	<u>413,195</u>	<u>2,578,446</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	-	-	5,786	5,786
Prepays	1,993	-	-	1,993
Long-term loans	716,957	-	-	716,957
Restricted:				
Debt service	-	-	138,481	138,481
Capital improvements	-	-	99,687	99,687
Classroom facilities maintenance	-	-	422,635	422,635
Food service operations	-	-	247,624	247,624
Extracurricular	-	-	9,653	9,653
Targeted academic assistance	-	-	3,146	3,146
Textbooks	51,454	-	-	51,454
School bus purchases	106,323	-	-	106,323
Other purposes	-	-	9,559	9,559
Committed:				
Capital improvements	-	419,398	-	419,398
Termination benefits	167,336	-	-	167,336
Other purposes	-	-	196,724	196,724
Assigned:				
Student and staff support	5,553	-	-	5,553
Public school support	381	-	-	381
Employee benefits	112,395	-	-	112,395
Unassigned (deficit)	1,225,626	-	(34,584)	1,191,042
Total fund balances	<u>2,388,018</u>	<u>419,398</u>	<u>1,098,711</u>	<u>3,906,127</u>
Total liabilities and fund balances	<u>\$ 3,853,269</u>	<u>\$ 1,119,398</u>	<u>\$ 1,511,906</u>	<u>\$ 6,484,573</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	3,906,127
<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.			12,285,383
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	101,399	
Accrued interest receivable		6,089	
Intergovernmental receivable		141,743	
Total		141,743	249,231
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,778)
Unamortized bond issuance costs are not recognized in the funds.			16,361
Unamortized deferred charges on refundings are not recognized in the funds.			48,692
Unamortized premiums on bond issuance are not recognized in the funds.			(71,628)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences and early retirement incentive payable		(333,622)	
General obligation bonds payable		(1,590,000)	
Total		(1,923,622)	(1,923,622)
Net assets of governmental activities		\$	14,503,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 832,308	\$ -	\$ 157,011	\$ 989,319
Tuition.	1,414,117	-	-	1,414,117
Earnings on investments	17,140	21,180	7,933	46,253
Charges for services	-	-	140,937	140,937
Extracurricular.	8,921	-	130,751	139,672
Rental income	620	-	-	620
Contributions and donations	2,985	-	35,089	38,074
Other local revenues	22,450	-	-	22,450
Intergovernmental - state	2,313,926	-	53,165	2,367,091
Intergovernmental - federal	-	-	628,092	628,092
Total revenues	<u>4,612,467</u>	<u>21,180</u>	<u>1,152,978</u>	<u>5,786,625</u>
Expenditures:				
Current:				
Instruction:				
Regular.	2,538,448	-	110,643	2,649,091
Special	135,913	-	113,207	249,120
Vocational	31,040	-	-	31,040
Other	710	-	-	710
Support services:				
Pupil	130,508	-	18,682	149,190
Board of education	37,687	-	-	37,687
Instructional staff	339,037	-	-	339,037
Administration	325,937	-	25,912	351,849
Fiscal	157,889	-	5,889	163,778
Operations and maintenance	322,426	-	180,821	503,247
Pupil transportation	110,835	-	8,208	119,043
Central	26,449	-	51,604	78,053
Operation of non-instructional services:				
Food service operations.	-	-	222,774	222,774
Extracurricular activities	210,369	-	139,970	350,339
Debt service:				
Principal retirement.	-	-	75,000	75,000
Interest and fiscal charges	-	-	89,368	89,368
Total expenditures	<u>4,367,248</u>	<u>-</u>	<u>1,042,078</u>	<u>5,409,326</u>
Excess of revenues over expenditures.	<u>245,219</u>	<u>21,180</u>	<u>110,900</u>	<u>377,299</u>
Other financing sources (uses):				
Transfers in.	-	-	33,767	33,767
Transfers (out)	<u>(33,767)</u>	<u>-</u>	<u>-</u>	<u>(33,767)</u>
Total other financing sources (uses)	<u>(33,767)</u>	<u>-</u>	<u>33,767</u>	<u>-</u>
Net change in fund balances	211,452	21,180	144,667	377,299
Fund balances at beginning of year (restated).	<u>2,176,566</u>	<u>398,218</u>	<u>954,044</u>	<u>3,528,828</u>
Fund balances at end of year.	<u>\$ 2,388,018</u>	<u>\$ 419,398</u>	<u>\$ 1,098,711</u>	<u>\$ 3,906,127</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	377,299
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays the current period.		
Capital outlays	\$ 170,227	
Depreciation expense	(578,991)	
Total		(408,764)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	13,060	
Earnings on investments	(2,079)	
Intergovernmental	131,046	
Total		142,027
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		75,000
Governmental funds report expenditures for interest when it is due.		
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	323	
Amortization of bond issuance costs	(1,433)	
Amortization of bond premiums	6,274	
Amortization of deferred charges on refundings	(4,264)	
Total		900
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.		
		(24,601)
Change in net assets of governmental activities	\$	161,861

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 846,037	\$ 846,037	\$ 832,308	\$ (13,729)
Tuition	1,327,117	1,327,117	1,414,117	87,000
Earnings on investments	75,000	75,000	32,669	(42,331)
Rental income	3,000	3,000	620	(2,380)
Contributions and donations	5,000	5,000	2,985	(2,015)
Other local revenues	6,000	6,000	22,450	16,450
Intergovernmental - state	2,387,025	2,387,025	2,313,926	(73,099)
Total revenues	<u>4,649,179</u>	<u>4,649,179</u>	<u>4,619,075</u>	<u>(30,104)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,818,956	2,818,956	2,527,361	291,595
Special	163,000	163,000	133,250	29,750
Vocational	45,000	45,000	30,849	14,151
Other	-	-	2,068	(2,068)
Support services:				
Pupil	381,069	381,069	117,589	263,480
Instructional staff	375,000	375,000	336,920	38,080
Board of education	35,000	35,000	37,821	(2,821)
Fiscal	209,000	209,000	159,638	49,362
Administration	439,000	439,000	321,774	117,226
Operations and maintenance	559,342	559,342	302,404	256,938
Pupil transportation	170,000	170,000	114,961	55,039
Central	265,000	265,000	27,446	237,554
Extracurricular activities	190,000	190,000	211,860	(21,860)
Total expenditures	<u>5,650,367</u>	<u>5,650,367</u>	<u>4,323,941</u>	<u>1,326,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,001,188)</u>	<u>(1,001,188)</u>	<u>295,134</u>	<u>1,296,322</u>
Other financing (uses):				
Transfers (out)	-	-	(33,767)	(33,767)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>(33,767)</u>	<u>(33,767)</u>
Net change in fund balance	(1,001,188)	(1,001,188)	261,367	1,262,555
Fund balance at beginning of year (restated)	1,620,325	1,620,325	1,620,325	-
Prior year encumbrances appropriated	33,620	33,620	33,620	-
Fund balance at end of year	<u>\$ 652,757</u>	<u>\$ 652,757</u>	<u>\$ 1,915,312</u>	<u>\$ 1,262,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 68,558
Total assets	\$ 68,558
Liabilities:	
Accounts payable.	\$ 1,970
Due to students.	66,588
Total liabilities	\$ 68,558

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District serves an area of approximately 14 square miles. It is located in Mahoning County, and includes the Village of Lowellville. The District is the 589th largest in the State of Ohio (among the 918 public school districts and community schools in the State) in terms of enrollment. It is staffed by 41 certified full-time teaching employees and 10 classified personnel who provide services to 613 students and other community members. The District currently operates 2 instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS), a council of governments, is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of the revenues of ACCESS are generated from charges for services and State funding. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

INSURANCE PURCHASING POOLS

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium (the "Consortium") is a shared risk pool comprised of 12 Mahoning County school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All revenues of the Consortium are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges for services to Medical Mutual of Ohio (MMO), who acts in the capacity of a third-party administrator (TPA) for claims processing.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue in the fund financial statements.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or before June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control has been established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to federal agency securities, U.S. Treasury notes and bonds, money market mutual funds and common stock. While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its other governmental funds. No public funds were used to acquire the stock. Investments in common stock are reported at fair value, which is based on quoted market prices. At June 30, 2011, the common stock had a fair value of \$1,049.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$17,140, which includes \$1,044 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2011, the District maintained their capitalization threshold at \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no short-term interfund loans at June 30, 2011.

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 20 years of current service with the District, all employees age 45 with at least 15 years of service, and all employees age 50 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011, 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not recorded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes monies restricted by State statute for instructional materials and school bus purchases, along with monies restricted for the District's food services and educational foundation.

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for instructional materials. This restricted asset is required by State statute. In addition, the District has received monies restricted for school bus purchases. A schedule of statutory set-asides is presented in Note 16.

P. Interfund Activity

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.D.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

S. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 1,999,440	\$ 398,218	\$ 1,131,170	\$ 3,528,828
Fund reclassifications:				
Public school fund	215	-	(215)	-
Termination benefits fund	<u>176,911</u>	<u>-</u>	<u>(176,911)</u>	<u>-</u>
Total fund reclassifications	<u>177,126</u>	<u>-</u>	<u>(177,126)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 2,176,566</u>	<u>\$ 398,218</u>	<u>\$ 954,044</u>	<u>\$ 3,528,828</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2010	\$ 1,781,725
Funds budgeted elsewhere	<u>(161,400)</u>
Restated balance at July 1, 2010	<u>\$ 1,620,325</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 3,477
Education jobs	15,873
IDEA Part B	11,071
Improving Teacher quality	4,163

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Protection of 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, 2011, the carrying amount of all District deposits was \$1,499,472. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,203,050 of the District's bank balance of \$1,544,325 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$341,275 was exposed to custodial risk as discussed below.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

The District had the following investments and maturities at June 30, 2011:

Investment	Fair Value	Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	More than 24 months
Money market mutual fund	\$ 295,907	\$ 295,907	\$ -	\$ -	\$ -	\$ -
U.S. Treasury notes and bonds	101,453	-	-	-	-	101,453
FNMA	1,429,544	-	-	200,198	-	1,229,346
FFCB	351,427	-	-	-	-	351,427
FHLB	553,644	-	-	-	100,733	452,911
FHLMC	325,648	-	-	-	-	325,648
Common Stock	1,049	1,049	-	-	-	-
Total	\$ 3,058,672	\$ 296,956	\$ -	\$ 200,198	\$ 100,733	\$ 2,460,785

At June 30, 2011, the weighted average maturity of investments is 2.65 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

Credit Risk: The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's common stock holdings were rated from AAA to B by Standard & Poor's, Aaa to Caa1 by Moody's Investors Service, and AA- to B by Fitch Ratings. The District's money market mutual fund was rated AAAM by Standard & Poor's. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money market mutual fund	\$ 295,907	9.68
U.S. Treasury notes and bonds	101,453	3.32
FNMA	1,429,544	46.73
FFCB	351,427	11.49
FHLB	553,644	18.10
FHLMC	325,648	10.65
Common stock	<u>1,049</u>	<u>0.03</u>
Total	<u>\$ 3,058,672</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2011:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 1,499,472
Investments	<u>3,058,672</u>
Total	<u>\$ 4,558,144</u>

Cash and investments per statement of net assets

Governmental activities	\$ 4,489,586
Agency funds	<u>68,558</u>
Total	<u>\$ 4,558,144</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Transfers for the fiscal year ended June 30, 2011 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 33,767</u>
Total	<u>\$ 33,767</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

Transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Loans to and from other funds at June 30, 2011 consisted of the following, as reported in the fund financial statements:

<u>Loans from general fund to:</u>	<u>Amount</u>
Capital projects	\$ 700,000
Nonmajor governmental funds	<u>16,957</u>
Total	<u><u>\$ 716,957</u></u>

Loans to and from other funds are long-term loans and are not expected to be repaid within one year. Loans to and from other funds between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 28,479,570	84.38	\$ 28,345,680	84.42
Public utility personal	5,186,410	15.37	5,232,740	15.58
Tangible personal property	<u>85,720</u>	<u>0.25</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 33,751,700</u>	<u>100.00</u>	<u>\$ 33,578,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$56.40		\$56.40	
Bonded debt	5.10		5.10	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, accrued interest, and intergovernmental receivables. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RECEIVABLES - (Continued)

A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 1,115,979
Accrued interest	12,529
Intergovernmental	<u>141,743</u>
Total	<u>\$ 1,270,251</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/11</u>
<u>Governmental activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 590,631	\$ -	\$ -	\$ 590,631
<i>Total capital assets, not being depreciated</i>	<u>590,631</u>	<u>-</u>	<u>-</u>	<u>590,631</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,240,352	26,164	-	1,266,516
Buildings and improvements	14,138,881	-	-	14,138,881
Equipment and furniture	2,399,788	50,113	-	2,449,901
Vehicles	<u>331,518</u>	<u>93,950</u>	<u>-</u>	<u>425,468</u>
<i>Total capital assets, being depreciated</i>	<u>18,110,539</u>	<u>170,227</u>	<u>-</u>	<u>18,280,766</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(744,566)	(65,527)	-	(810,093)
Buildings and improvements	(3,245,113)	(370,163)	-	(3,615,276)
Equipment and furniture	(1,763,619)	(115,038)	-	(1,878,657)
Vehicles	<u>(253,725)</u>	<u>(28,263)</u>	<u>-</u>	<u>(281,988)</u>
<i>Total accumulated depreciation</i>	<u>(6,007,023)</u>	<u>(578,991)</u>	<u>-</u>	<u>(6,586,014)</u>
Total capital assets, net	<u>\$ 12,694,147</u>	<u>\$ (408,764)</u>	<u>\$ -</u>	<u>\$ 12,285,383</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 244,986
Special	30,850
<u>Support services:</u>	
Pupil	6,060
Instructional staff	18,178
Administration	27,544
Fiscal	2,755
Operations and maintenance	6,060
Pupil transportation	28,263
Extracurricular activities	91,998
Food service operations	<u>122,297</u>
Total depreciation expense	<u>\$ 578,991</u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2001, the District issued \$2,126,000 in general obligation bonds (Series 2001 Bonds) with stated interest rates from 4.40% to 6.15% in order to provide funds for the construction of a new building for the elementary, middle and high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for as long-term obligations of the District. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 5.1 mill bonded debt tax levy.

In fiscal year 2007, the District advance refunded \$955,000 (the callable portion) of the Series 2001 current interest bonds. During fiscal year 2011, the District made a \$75,000 principal payment from the bond retirement debt service fund (a nonmajor governmental fund).

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

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

- B. On August 24, 2006, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund a portion of the Series 2001 Bonds. The issuance proceeds of \$955,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased (in-substance) and, accordingly, has been removed from the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

The reacquisition price exceeded the net carrying amount of the old debt by \$69,305. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

Fiscal Year	Series 2001 Bonds			Series 2007 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 80,000	\$ 36,113	\$ 116,113	\$ -	\$ 49,438	\$ 49,438
2013	95,000	31,211	126,211	-	49,438	49,438
2014	100,000	25,215	125,215	-	49,438	49,438
2015	110,000	18,758	128,758	-	49,438	49,438
2016	120,000	11,686	131,686	-	49,438	49,438
2017 - 2021	130,000	3,997	133,997	600,000	139,463	739,463
2022 - 2023	-	-	-	355,000	18,768	373,768
Total	<u>\$ 635,000</u>	<u>\$ 126,980</u>	<u>\$ 761,980</u>	<u>\$ 955,000</u>	<u>\$ 405,421</u>	<u>\$ 1,360,421</u>

- D. During fiscal year 2011, the following changes occurred in the governmental activities long-term obligations:

	Balance 6/30/2010	Increases	Decreases	Balance 6/30/2011	Amounts Due in One Year
<u>Governmental activities:</u>					
<u>General obligation bonds</u>					
Series 2001 bonds	\$ 710,000	\$ -	\$ (75,000)	\$ 635,000	\$ 80,000
Series 2007 refunding bonds	955,000	-	-	955,000	-
<u>Other long-term obligations</u>					
Compensated absences	303,417	78,923	(50,718)	331,622	35,251
Early retirement incentive	49,000	-	(24,000)	25,000	23,000
Total	<u>\$ 2,017,417</u>	<u>\$ 78,923</u>	<u>\$ (149,718)</u>	1,946,622	<u>\$ 138,251</u>
Add: Unamortized premium on refunding				71,628	
Less: Unamortized deferred charge on refunding				(48,692)	
Total governmental activities				<u>\$ 1,969,558</u>	

Compensated absences and the early retirement incentive will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margins

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

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

The effects of these debt limitations at June 30, 2011 are a legal voted debt margin of \$1,570,539 (including available funds of \$138,481), a legal unvoted debt margin of \$33,578, and a legal energy conservation debt margin of \$302,206.

NOTE 10 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Indiana Insurance Company to provide the following coverage:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents	\$5,000	\$20,854,020
Crime Insurance	1,000	250,000
Automobile Liability	250	1,000,000
Uninsured Motorists	250	1,000,000
General Liability:		
Per occurrence	0	2,000,000
Total per year	0	5,000,000

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

B. Employee Group Health Insurance

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

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

The District pays 90% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Medical Mutual of Ohio (MMO), a third party administrator. The District pays 90% of prescription and dental premiums. Metropolitan provides the life insurance coverage.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Group Rating Plan

For fiscal year 2011, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$53,096, \$57,599 and \$42,338, respectively; 67.29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 website at www.strsoh.org, under "*Publications*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$319,582, \$320,242 and \$315,411, respectively; 83.52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$176 made by the District and \$126 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$13,049, \$9,736 and \$26,735, respectively; 67.29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,417, \$3,425 and \$3,493, respectively; 67.29 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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, under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$24,583, \$24,634 and \$24,262, respectively; 83.52 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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 assigned or committed 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) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 261,367
Net adjustment for revenue accruals	(15,529)
Net adjustment for expenditure accruals	17,457
Funds budgeted elsewhere	(58,414)
Adjustment for encumbrances	6,571
GAAP basis	<u>\$ 211,452</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the employee benefits insurance fund, the workers compensation insurance fund, the termination benefits fund and the public school support fund.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES

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 fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 47,345	\$ -
Current year set-aside requirement	96,160	96,160
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(92,051)	(62,010)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	(29,742)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>(4,408)</u>
Total	<u>\$ 51,454</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 51,454</u>	<u>\$ -</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. The District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years.

The District also receives monies from the State of Ohio which are restricted by State law for the purchase of school buses. This amount is shown as a reserve for bus purchases. The balance of this allocation at year-end is also reflected as a reservation of fund balance in the general fund.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for instructional materials	\$ 51,454
Amount restricted for school bus purchases	<u>106,323</u>
Total restricted cash	<u>\$ 157,777</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 5,460
Nonmajor governmental funds	<u>6,119</u>
Total	<u>\$ 11,579</u>

SUPPLEMENTARY DATA

**LOWELLVILLE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 24,516	\$ 24,516
(D)(E) National School Lunch Program - Food Donation	10.555	2011	10,154	10,154
(C)(D) National School Lunch Program	10.555	2011	87,773	87,773
Total National School Lunch Program			<u>97,927</u>	<u>97,927</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>122,443</u>	<u>122,443</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2011	42,940	39,435
Special Education_Grants to States	84.027	2011	92,007	92,007
Education Technology State Grants	84.318	2011	168	168
(F) Rural Education	84.358	2010	13,076	13,076
(F) Rural Education	84.358	2011	38,361	38,361
Total Rural Education			<u>51,437</u>	<u>51,437</u>
Improving Teacher Quality State Grants	84.367	2011	19,747	17,278
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Ac	84.394	2011	175,522	175,522
Education Jobs Fund	84.410	2011	69,994	73,613
Total U.S. Department of Education			<u>451,815</u>	<u>449,460</u>
Total Federal Financial Assistance			<u>\$ 574,258</u>	<u>\$ 571,903</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) This is a direct grant from the U.S. Department of Education.



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Lowellville Local School District's basic financial statements and have issued our report thereon dated December 15, 2011. We noted that the Lowellville Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lowellville Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Lowellville Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Lowellville Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Lowellville Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Lowellville Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Lowellville Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the management and Board of Education of the Lowellville Local School District, federal awarding agencies and pass-through entities, and others within the Lowellville Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
December 15, 2011



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Lowellville Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Lowellville Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Lowellville Local School District's major federal programs. The Lowellville Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Lowellville Local School District's compliance based on our audit.

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

In our opinion, the Lowellville Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Lowellville Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lowellville Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Lowellville Local School District's internal control over compliance.

Board of Education
Lowellville Local School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the Lowellville Local School District, federal awarding agencies and pass-through entities, and others within the Lowellville Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a period at the end.

Julian & Grube, Inc.
December 15, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Cluster: School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555; ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

Lowellville Local School District
Mahoning County
52 Rocket Place
Lowellville, Ohio 44436-1099

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Lowellville Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 14, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 15, 2011

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Dave Yost • Auditor of State

LOWELLVILLE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2012**