



**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

Board of Education
Poland Local School District
3199 Dobbins Road
Poland, Ohio 44514

We have reviewed the *Independent Accountants' Report* of the Poland Local School District, Mahoning County, prepared by Canter & Associates, for the audit period July 1, 2011 through June 30, 2012. 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 Poland 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 19, 2013

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**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

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

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 Poland Local School District (the District), Mahoning County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 Standard*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Poland Local School District, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* 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 assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Federal Awards Receipts and Expenditures Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditures Schedule was subject to the auditing procedures we applied to 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 as a whole.



CANTER & ASSOCIATES

Poland, Ohio

December 27, 2012

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The discussion and analysis of Poland Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased \$1,605, which represents a less than 1 percent increase from fiscal year 2011.
- General revenues accounted for \$19,144,538 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,653,143 or 12 percent of total revenues of \$21,797,681.
- The District had \$21,796,076 in expenses related to governmental activities; only \$2,653,143 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,144,538 were adequate to provide for these programs, as evidenced by the overall increase in net assets of \$1,605.
- The District's major funds are the general fund and the bond retirement debt service fund. On a modified accrual basis, the general fund had \$17,971,656 in revenues and \$18,789,702 in expenditures. The general fund's fund balance decreased \$572,031 from a balance of \$316,288 in fiscal year 2011, to a negative balance of \$255,743 in fiscal year 2012.
- On a modified accrual basis, the bond retirement debt service fund had \$956,506 in revenues and \$934,642 in expenditures. The bond retirement fund's fund balance increased \$21,864 from a balance of \$1,698,754 in fiscal year 2011, to a balance of \$1,720,618 in fiscal year 2012.

Using these Basic Financial Statements

This annual report consists of this management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand Poland Local School 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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Poland Local School District, the general fund and the bond retirement debt service fund are by far the most significant funds, and are the only two funds reported as major.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

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 fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include *all assets and liabilities* 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 District has only one kind of activity:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. Due to the continuing subsidies that go to the lunchroom fund from the general fund, the lunchroom operation is also being considered as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 8. 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 financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement debt service 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 balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general governmental 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 difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship program. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. Table 1 shows net assets for fiscal year 2012 as compared to fiscal year 2011.

Table 1

| | 2012 | RESTATED 2011 | |
|---|------------------------------------|------------------------------------|--------------------------------|
| | <u>Governmental Activities</u> | <u>Governmental Activities</u> | <u>Increase (Decrease)</u> |
| Assets: | | | |
| Current and Other Assets | \$16,382,531 | \$17,525,998 | (\$1,143,467) |
| Capital Asset, Net of Accumulated Depreciation | 13,911,715 | 14,235,812 | (324,097) |
| Total Assets | <u>30,294,246</u> | <u>31,761,810</u> | <u>(1,467,564)</u> |
| Liabilities: | | | |
| Current Liabilities | 14,968,016 | 15,624,625 | (656,609) |
| Long-term Liabilities: | | | |
| Due within One Year | 1,100,307 | 1,253,808 | (153,501) |
| Due in More than One Year | 11,786,830 | 12,445,889 | (659,059) |
| Total Liabilities | <u>27,855,153</u> | <u>29,324,322</u> | <u>(1,469,169)</u> |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Debt | 2,282,089 | 1,999,329 | 282,760 |
| Restricted | 1,586,707 | 1,575,713 | 10,994 |
| Unrestricted (Deficit) | <u>(1,429,703)</u> | <u>(1,137,554)</u> | <u>(292,149)</u> |
| Total Net Assets | <u><u>\$2,439,093</u></u> | <u><u>\$2,437,488</u></u> | <u><u>\$1,605</u></u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$2,439,093. Unrestricted net assets at the end of the current fiscal year are a negative \$1,429,703.

At fiscal year-end, capital assets represented 46 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$2,282,089. 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, \$1,586,707 represents resources that are subject to external restriction on how they may be used.

Poland Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

Table 2
Change in Net Assets
Governmental Activities

| | 2012 | 2011 | Increase (Decrease) |
|---|--------------------|--------------------|------------------------|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services and Sales | \$1,201,782 | \$1,155,994 | \$45,788 |
| Operating Grants and Contributions | 1,451,361 | 2,027,132 | (575,771) |
| <i>Total Program Revenues</i> | <u>2,653,143</u> | <u>3,183,126</u> | <u>(529,983)</u> |
| General Revenues | | | |
| Property Taxes | 11,847,684 | 11,877,002 | (29,318) |
| Intergovernmental | 7,277,075 | 7,616,621 | (339,546) |
| Investment Earnings | 4,282 | 15,876 | (11,594) |
| Miscellaneous | 15,497 | 34,007 | (18,510) |
| <i>Total General Revenues</i> | <u>19,144,538</u> | <u>19,543,506</u> | <u>(398,968)</u> |
| <i>Total Revenues</i> | <u>21,797,681</u> | <u>22,726,632</u> | <u>(928,951)</u> |
| Program Expenses | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 10,379,882 | 11,285,493 | (905,611) |
| Special | 1,702,455 | 1,713,435 | (10,980) |
| Vocational | 158,011 | 172,025 | (14,014) |
| Adult/Continuing | 125,658 | 137,533 | (11,875) |
| Other | 5,977 | 14,869 | (8,892) |
| Support Services: | | | |
| Pupil | 1,448,078 | 1,636,966 | (188,888) |
| Instructional Staff | 568,055 | 519,382 | 48,673 |
| Board of Education | 19,729 | 19,385 | 344 |
| Administration | 1,521,659 | 1,546,441 | (24,782) |
| Fiscal | 574,402 | 550,130 | 24,272 |
| Business | 448 | 602 | (154) |
| Operation and Maintenance of Plant | 1,840,999 | 2,221,701 | (380,702) |
| Pupil Transportation | 850,222 | 954,734 | (104,512) |
| Central | 6,236 | 5,770 | 466 |
| Operation of Non-Instructional Services | 238,663 | 325,309 | (86,646) |
| Operation of Food Services | 835,019 | 844,047 | (9,028) |
| Extracurricular Activities | 904,935 | 942,446 | (37,511) |
| Interest and Fiscal Charges | 615,648 | 609,595 | 6,053 |
| <i>Total Program Expenses</i> | <u>21,796,076</u> | <u>23,499,863</u> | <u>(1,703,787)</u> |
| <i>Change in Net Assets</i> | 1,605 | (773,231) | 774,836 |
| Net Assets Beginning of Year | 2,437,488 | 3,210,719 | (773,231) |
| <i>Net Assets End of Year</i> | <u>\$2,439,093</u> | <u>\$2,437,488</u> | <u>\$1,605</u> |

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Governmental Activities

Total net assets of the District increased \$1,605 during fiscal year 2012. The governmental expenses of \$21,796,076 were partially offset by program revenues of \$2,653,143 and general revenues of \$19,144,538. Program revenues supported 12 percent of the total governmental activities expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 88 percent of total governmental revenue. Property taxes support 54 percent of total expenses while grants and entitlements supported 33 percent of total expenses. Between these two revenue items, 87 percent of total expenses were funded.

The largest expense of the District is for its instructional programs. Instructional expenses totaled \$12,371,983, or 57 percent, of total governmental expenses of \$21,796,076.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012 and 2011. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Table 3
Total and Net Cost of Program Services

| | 2012 | | 2011 | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Program Expenses | | | | |
| Instruction | \$12,371,983 | \$11,641,445 | \$13,323,355 | \$12,301,316 |
| Support Services: | | | | |
| Pupil | 1,448,078 | 1,221,332 | 1,636,966 | 1,301,546 |
| Instructional Staff | 568,055 | 471,991 | 519,382 | 378,086 |
| Board of Education | 19,729 | 19,294 | 19,385 | 19,046 |
| Administration | 1,521,659 | 1,386,778 | 1,546,441 | 1,423,277 |
| Fiscal | 574,402 | 551,218 | 550,130 | 527,101 |
| Business | 448 | 438 | 602 | 591 |
| Operation and Maintenance of Plant | 1,840,999 | 1,764,831 | 2,221,701 | 2,181,946 |
| Pupil Transportation | 850,222 | 747,761 | 954,734 | 841,801 |
| Central | 6,236 | 6,099 | 5,770 | 5,505 |
| Operation of Non-Instructional Services | 238,663 | (19,884) | 325,309 | (3,569) |
| Food Service Operation | 835,019 | 12,811 | 844,047 | (10,478) |
| Extracurricular Activities | 904,935 | 723,171 | 942,446 | 740,974 |
| Interest and Fiscal Charges | 615,648 | 615,648 | 609,595 | 609,595 |
| Total Expenditures | \$21,796,076 | \$19,142,933 | \$23,499,863 | \$20,316,737 |

The dependence upon general tax revenues and other general revenues for governmental activities is apparent. Over 87 percent of all District expenses are supported through general revenues. For all governmental activities, general revenue and prior year cash balances support all expenses as shown in the above table. The community, as a whole, is by far the primary support for Poland Local School District students.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

The District's Funds

The District's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$856,378 which is a decrease from last year's total of \$1,396,112 by more than 38 percent. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

| | Fund Balance (Deficit) <u>June 30, 2012</u> | Fund Balance (Deficit) <u>June 30, 2011</u> | Increase (Decrease) <u></u> |
|--------------------|---|---|-----------------------------------|
| General | (\$255,743) | \$316,288 | (\$572,031) |
| Bond Retirement | 1,720,618 | 1,698,754 | 21,864 |
| Other Governmental | <u>(608,497)</u> | <u>(618,930)</u> | <u>10,433</u> |
| Total | <u><u>\$856,378</u></u> | <u><u>\$1,396,112</u></u> | <u><u>(\$539,734)</u></u> |

General Fund

During fiscal year 2012, the District's general fund balance decreased on a modified accrual basis by \$572,031; total revenues within the general fund decreased by 1.6 percent and expenditures also decreased by 4.5 percent, resulting in the overall decrease to fund balance. The following table assists in illustrating the financial activities and fund balance of the general fund.

| | <u>2012</u> Amount | <u>2011</u> Amount | Percentage Change |
|----------------------------|----------------------------|----------------------------|-----------------------|
| <u>Revenues</u> | | | |
| Taxes | \$10,377,638 | \$10,390,013 | (0.1) % |
| Earnings on investments | 4,282 | 15,876 | (73.0) % |
| Intergovernmental | 7,156,341 | 7,475,636 | (4.3) % |
| Other revenues | <u>433,395</u> | <u>391,473</u> | <u>10.7 %</u> |
| Total | <u>\$17,971,656</u> | <u>\$18,272,998</u> | <u>(1.6) %</u> |
| <u>Expenditures</u> | | | |
| Instruction | 11,654,070 | 12,125,924 | (3.9) % |
| Support services | 6,200,982 | 6,748,212 | (8.1) % |
| Extracurricular activities | 529,200 | 552,131 | (4.2) % |
| Capital outlay | 247,515 | 165,130 | 49.9 % |
| Debt service | <u>157,935</u> | <u>90,225</u> | <u>75.0 %</u> |
| Total | <u><u>\$18,789,702</u></u> | <u><u>\$19,681,622</u></u> | <u><u>(4.5) %</u></u> |

Bond Retirement Fund

The District's bond retirement debt service fund had \$956,506 in revenues and \$934,642 in expenditures. The bond retirement fund's fund balance increased \$21,864 from a balance of \$1,698,754 in fiscal year 2011, to a balance of \$1,720,618 in fiscal year 2012.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

General Fund Budgeting Highlights

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

During the course of fiscal year 2012 the District amended its General Fund budget several times.

For the General Fund, actual revenue, excluding other financing sources, was \$17,685,227, which was \$219 higher than the final budgeted revenue of \$17,685,008 and \$390,278 more than the original budget estimate of \$17,294,949. The actual and the final budgeted revenue amounts include revenue sources that were not anticipated at the beginning of the fiscal year, due to a conservative approach of estimating revenue used by the District.

Total actual expenditures, excluding other financing uses, were \$18,757,729, which was \$1,137,789 less than final and original budgeted expenditures of \$19,895,518. The variance with original and final appropriations was due to a conservative estimates approach.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$13,911,715 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles.

Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

| | <u>2012</u> | <u>(RESTATED)</u> <u>2011</u> |
|-----------------------------------|----------------------------|----------------------------------|
| Land | \$304,780 | \$304,780 |
| Land Improvements | 615,933 | 704,458 |
| Buildings and Improvements | 11,762,975 | 11,770,293 |
| Furniture, Fixtures and Equipment | 840,809 | 910,569 |
| Vehicles | 387,218 | 545,712 |
| Total | <u><u>\$13,911,715</u></u> | <u><u>\$14,235,812</u></u> |

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the District had an overall decrease in capital assets of \$324,097. The majority of this decrease is due to current year additions of \$301,253 being less than the current year depreciation expense of \$617,157 and net disposals of \$8,193. For more information about the District's capital assets, see Note 9 to the basic financial statements.

Poland Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)

Outstanding Obligations

Fund Liabilities

At June 30, 2012, the District had an energy conservation note outstanding in the amount of 667,287, as compared to \$745,837 at June 30, 2011. The energy conservation note is recorded as a fund liability in permanent improvement capital projects fund. See Note 11 to the basic financial statements for additional information on the District's outstanding note debt.

Long-Term Obligations

The District also had \$3,101,253 in general obligation bonds, \$8,122,339 in lease purchase agreements and \$1,663,545 in compensated absences outstanding at June 30, 2012. Of this total, \$1,100,307 is due within one year and \$11,786,830 is due in more than one year. The following table summarizes all of the District's outstanding long-term obligations.

Table 5
Outstanding Long-Term Obligations at Year End

| | <u>2012</u> | <u>2011</u> |
|----------------------------|----------------------------|----------------------------|
| General Obligation Bonds | \$3,101,253 | \$3,435,129 |
| Lease Purchase Obligations | 8,122,339 | 8,419,396 |
| Compensated Absences | <u>1,663,545</u> | <u>1,845,172</u> |
| Total | <u><u>\$12,887,137</u></u> | <u><u>\$13,699,697</u></u> |

See Note 13 to the basic financial statements for additional information on the District's long-term debt obligations.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District is in a situation where an operating levy needs to be passed by District voters in order for the District to obtain the necessary funds to continue meeting its operating expenses in fiscal year 2013.

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

Poland Local School District

Mahoning County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
(Unaudited)*

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

Contacting the District's Financial Management

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

Poland Local School District

Mahoning County, Ohio

Statement of Net Assets

June 30, 2012

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$4,198,805 |
| Accrued Interest Receivable | 9 |
| Accounts Receivable | 4,039 |
| Intergovernmental Receivable | 63,080 |
| Property Taxes Receivable | 12,034,176 |
| Inventory Held for Resale | 13,282 |
| Unamortized Bond Issuance Costs | 69,140 |
| Nondepreciable Capital Assets | 304,780 |
| Depreciable Capital Assets, Net | 13,606,935 |
| <i>Total Assets</i> | <u>30,294,246</u> |
| Liabilities | |
| Accounts Payable | 20,550 |
| Accrued Wages and Benefits Payable | 2,182,031 |
| Intergovernmental Payable | 547,575 |
| Deferred Revenue | 11,498,398 |
| Energy Conservation Note Payable | 667,287 |
| Accrued Interest Payable | 52,175 |
| Long-Term Liabilities: | |
| Due Within One Year | 1,100,307 |
| Due In More Than One Year | 11,786,830 |
| <i>Total Liabilities</i> | <u>27,855,153</u> |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 2,282,089 |
| Restricted for: | |
| Capital Projects | 13,565 |
| Debt Service | 1,495,907 |
| Set-asides | 77,235 |
| Unrestricted (Deficit) | (1,429,703) |
| <i>Total Net Assets</i> | <u>\$2,439,093</u> |

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2012

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------------|--------------------------------------|--|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | \$10,379,882 | \$212,585 | \$373,362 | (\$9,793,935) |
| Special | 1,702,455 | 34,655 | 103,551 | (1,564,249) |
| Vocational | 158,011 | 3,483 | 0 | (154,528) |
| Adult/Continuing | 125,658 | 2,770 | 0 | (122,888) |
| Other | 5,977 | 132 | 0 | (5,845) |
| Support Services: | | | | |
| Pupils | 1,448,078 | 26,827 | 199,919 | (1,221,332) |
| Instructional Staff | 568,055 | 10,094 | 85,970 | (471,991) |
| Board of Education | 19,729 | 435 | 0 | (19,294) |
| Administration | 1,521,659 | 30,714 | 104,167 | (1,386,778) |
| Fiscal | 574,402 | 12,384 | 10,800 | (551,218) |
| Business | 448 | 10 | 0 | (438) |
| Operation and Maintenance of Plant | 1,840,999 | 74,712 | 1,456 | (1,764,831) |
| Pupil Transportation | 850,222 | 16,049 | 86,412 | (747,761) |
| Central | 6,236 | 137 | 0 | (6,099) |
| Operation of Non-Instructional Services | 238,663 | 0 | 258,547 | 19,884 |
| Operation of Food Services | 835,019 | 617,551 | 204,657 | (12,811) |
| Extracurricular Activities | 904,935 | 159,244 | 22,520 | (723,171) |
| Interest and Fiscal Charges | 615,648 | 0 | 0 | (615,648) |
| <i>Total Governmental Activities</i> | <u>\$21,796,076</u> | <u>\$1,201,782</u> | <u>\$1,451,361</u> | <u>(19,142,933)</u> |
| General Revenues | | | | |
| Property Taxes Levied for: | | | | |
| | | | | 10,522,497 |
| | | | | 881,855 |
| | | | | 443,332 |
| Grants and Entitlements | | | | |
| | | | | 7,277,075 |
| | | | | 4,282 |
| | | | | 15,497 |
| <i>Total General Revenues</i> | | | | <u>19,144,538</u> |
| Change in Net Assets | | | | 1,605 |
| <i>Net Assets Beginning of Year - Restated (See Note 3)</i> | | | | 2,437,488 |
| <i>Net Assets End of Year</i> | | | | <u>\$2,439,093</u> |

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2012

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,258,998 | \$1,720,618 | \$141,954 | \$4,121,570 |
| Accrued Interest Receivable | 9 | 0 | 0 | 9 |
| Accounts Receivable | 2,539 | 0 | 1,500 | 4,039 |
| Intergovernmental Receivable | 2,480 | 0 | 60,600 | 63,080 |
| Property Taxes Receivable | 10,840,127 | 859,143 | 334,906 | 12,034,176 |
| Inventory Held for Resale | 0 | 0 | 13,282 | 13,282 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 77,235 | 0 | 0 | 77,235 |
| <i>Total Assets</i> | <u>\$13,181,388</u> | <u>\$2,579,761</u> | <u>\$552,242</u> | <u>\$16,313,391</u> |
| Liabilities | | | | |
| Accounts Payable | \$16,460 | \$0 | \$4,090 | \$20,550 |
| Accrued Wages and Benefits Payable | 2,072,985 | 0 | 109,046 | 2,182,031 |
| Intergovernmental Payable | 507,559 | 0 | 40,016 | 547,575 |
| Accrued Interest Payable | 0 | 0 | 5,394 | 5,394 |
| Deferred Revenue | 10,840,127 | 859,143 | 334,906 | 12,034,176 |
| Energy Conservation Note Payable | 0 | 0 | 667,287 | 667,287 |
| <i>Total Liabilities</i> | <u>13,437,131</u> | <u>859,143</u> | <u>1,160,739</u> | <u>15,457,013</u> |
| Fund Balances | | | | |
| Nonspendable | 0 | 0 | 13,282 | 13,282 |
| Restricted | 77,235 | 1,720,618 | 72,663 | 1,870,516 |
| Committed | 247,765 | 0 | 0 | 247,765 |
| Assigned | 218,441 | 0 | 0 | 218,441 |
| Unassigned (Deficit) | (799,184) | 0 | (694,442) | (1,493,626) |
| <i>Total Fund Balances</i> | <u>(255,743)</u> | <u>1,720,618</u> | <u>(608,497)</u> | <u>856,378</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$13,181,388</u> | <u>\$2,579,761</u> | <u>\$552,242</u> | <u>\$16,313,391</u> |

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012*

| | |
|--|---------------------------|
| Total Governmental Fund Balances | \$856,378 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 13,911,715 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes. | 535,778 |
| Unamortized bond issuance costs are not recognized in the funds. | 69,140 |
| Unamortized deferred charges on advance refunding are not recognized in the funds. | 129,010 |
| Unamortized premiums on bond issuances are not recognized in the funds. | (198,152) |
| In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. | (46,781) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| General Obligation Bonds | (3,032,111) |
| Lease Purchase Agreements | (8,122,339) |
| Compensated Absences | (1,663,545) |
| | <hr/> |
| Total | (12,817,995) |
| | <hr/> |
| <i>Net Assets of Governmental Activities</i> | <i>\$2,439,093</i> |

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------------|---------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$10,377,638 | \$885,967 | \$439,168 | \$11,702,773 |
| Tuition and Fees | 250,462 | 0 | 0 | 250,462 |
| Interest | 4,282 | 0 | 0 | 4,282 |
| Charges for Services | 0 | 0 | 599,079 | 599,079 |
| Extracurricular Activities | 133,721 | 0 | 182,662 | 316,383 |
| Rentals | 17,319 | 0 | 0 | 17,319 |
| Contributions and Donations | 16,396 | 0 | 7,580 | 23,976 |
| Intergovernmental | 7,156,341 | 70,539 | 1,564,061 | 8,790,941 |
| Miscellaneous | 15,497 | 0 | 0 | 15,497 |
| <i>Total Revenues</i> | <u>17,971,656</u> | <u>956,506</u> | <u>2,792,550</u> | <u>21,720,712</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 9,773,923 | 0 | 373,877 | 10,147,800 |
| Special | 1,590,050 | 0 | 130,747 | 1,720,797 |
| Vocational | 158,462 | 0 | 0 | 158,462 |
| Adult/Continuing | 125,658 | 0 | 0 | 125,658 |
| Other | 5,977 | 0 | 0 | 5,977 |
| Support Services: | | | | |
| Pupils | 1,208,851 | 0 | 231,179 | 1,440,030 |
| Instructional Staff | 454,326 | 0 | 107,724 | 562,050 |
| Board of Education | 19,729 | 0 | 0 | 19,729 |
| Administration | 1,400,296 | 6,262 | 123,273 | 1,529,831 |
| Fiscal | 559,183 | 0 | 10,800 | 569,983 |
| Business | 448 | 0 | 0 | 448 |
| Operation and Maintenance of Plant | 1,790,326 | 0 | 38,000 | 1,828,326 |
| Pupil Transportation | 761,587 | 0 | 99,980 | 861,567 |
| Central | 6,236 | 0 | 0 | 6,236 |
| Operation of Non-Instructional Services | 0 | 0 | 245,519 | 245,519 |
| Operation of Food Services | 0 | 0 | 809,715 | 809,715 |
| Extracurricular Activities | 529,200 | 0 | 159,838 | 689,038 |
| Capital Outlay | 247,515 | 0 | 53,738 | 301,253 |
| Debt Service: | | | | |
| Principal Retirement | 96,863 | 634,359 | 183,350 | 914,572 |
| Interest and Fiscal Charges | 61,072 | 294,021 | 218,877 | 573,970 |
| <i>Total Expenditures</i> | <u>18,789,702</u> | <u>934,642</u> | <u>2,786,617</u> | <u>22,510,961</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(818,046)</u> | <u>21,864</u> | <u>5,933</u> | <u>(790,249)</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Lease/Purchase Agreement | 247,515 | 0 | 0 | 247,515 |
| Proceeds from Sale of Capital Assets | 3,000 | 0 | 0 | 3,000 |
| Transfers In | 0 | 0 | 4,500 | 4,500 |
| Transfers Out | (4,500) | 0 | 0 | (4,500) |
| <i>Total Other Financing Sources (Uses)</i> | <u>246,015</u> | <u>0</u> | <u>4,500</u> | <u>250,515</u> |
| <i>Net Change in Fund Balances</i> | <u>(572,031)</u> | <u>21,864</u> | <u>10,433</u> | <u>(539,734)</u> |
| <i>Fund Balances (Deficit) Beginning of Year</i> | 316,288 | 1,698,754 | (618,930) | 1,396,112 |
| <i>Fund Balances (Deficit) End of Year</i> | <u><u>(\$255,743)</u></u> | <u><u>\$1,720,618</u></u> | <u><u>(\$608,497)</u></u> | <u><u>\$856,378</u></u> |

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$539,734)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

| | | |
|---------------------------|-----------|-----------|
| Capital Outlay | 301,253 | |
| Current Year Depreciation | (617,157) | |
| <hr/> | | |
| Total | | (315,904) |

The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net assets.

| | | |
|---------------------------------------|----------|---------|
| Assets Disposed | (86,798) | |
| Accumulated Depreciation on Disposals | 78,605 | |
| <hr/> | | |
| Total | | (8,193) |

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

| | | |
|----------------|----------|--------|
| Property Taxes | 144,911 | |
| Grants | (86,481) | |
| <hr/> | | |
| Total | | 58,430 |

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

| | | |
|-----------------------------------|--|-----------|
| Lease Purchase Agreement Issuance | | (247,515) |
|-----------------------------------|--|-----------|

Repayment of long-term debt and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

914,572

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

| | | |
|---|----------|----------|
| Accrued Interest on Bonds | 1,084 | |
| Accretion on Capital Appreciation Bonds | (42,761) | |
| Amortization of Bond Issuance Costs | 6,638 | |
| Amortization of Premium | (19,023) | |
| Amortization of Advance Refunding Charges | 12,384 | |
| <hr/> | | |
| Total | | (41,678) |

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.

181,627

Change in Net Assets of Governmental Activities

\$1,605

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012*

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$10,121,179 | \$10,377,638 | \$10,377,638 | \$0 |
| Tuition and Fees | 113,095 | 113,095 | 113,095 | 0 |
| Interest | 4,342 | 4,342 | 4,342 | 0 |
| Rentals | 16,936 | 16,936 | 16,936 | 0 |
| Intergovernmental | 7,024,119 | 7,157,719 | 7,157,719 | 0 |
| Miscellaneous | 15,278 | 15,278 | 15,497 | 219 |
| <i>Total Revenues</i> | <u>17,294,949</u> | <u>17,685,008</u> | <u>17,685,227</u> | <u>219</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 10,655,581 | 10,655,581 | 10,071,402 | 584,179 |
| Special | 1,680,193 | 1,680,193 | 1,588,709 | 91,484 |
| Vocational | 167,150 | 167,150 | 157,990 | 9,160 |
| Other | 19,508 | 19,508 | 18,447 | 1,061 |
| Support Services: | | | | |
| Pupils | 1,312,254 | 1,312,254 | 1,235,112 | 77,142 |
| Instructional Staff | 476,269 | 476,269 | 450,088 | 26,181 |
| Board of Education | 24,590 | 24,590 | 23,253 | 1,337 |
| Administration | 1,503,940 | 1,503,940 | 1,412,667 | 91,273 |
| Fiscal | 591,034 | 591,034 | 557,631 | 33,403 |
| Business | 474 | 474 | 448 | 26 |
| Operation and Maintenance of Plant | 1,932,658 | 1,932,658 | 1,796,382 | 136,276 |
| Pupil Transportation | 837,491 | 837,491 | 789,353 | 48,138 |
| Central | 6,462 | 6,462 | 6,110 | 352 |
| Extracurricular Activities | 426,158 | 426,158 | 402,622 | 23,536 |
| Capital Outlay | 261,756 | 261,756 | 247,515 | 14,241 |
| <i>Total Expenditures</i> | <u>19,895,518</u> | <u>19,895,518</u> | <u>18,757,729</u> | <u>1,137,789</u> |
| <i>Excess of Revenues Over/(Under) Expenditures</i> | <u>(2,600,569)</u> | <u>(2,210,510)</u> | <u>(1,072,502)</u> | <u>1,138,008</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds of Lease Purchase Agreement | 0 | 247,515 | 247,515 | 0 |
| Proceeds from Sale of Capital Assets | 0 | 3,000 | 3,000 | 0 |
| Transfers Out | (4,500) | (4,500) | (4,500) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>(4,500)</u> | <u>246,015</u> | <u>246,015</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | <u>(2,605,069)</u> | <u>(1,964,495)</u> | <u>(826,487)</u> | <u>1,138,008</u> |
| <i>Fund Balance Beginning of Year</i> | <u>2,871,230</u> | <u>2,871,230</u> | <u>2,871,230</u> | <u>0</u> |
| <i>Prior Year Encumbrances Appropriated</i> | <u>58,840</u> | <u>58,840</u> | <u>58,840</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$325,001</u> | <u>\$965,575</u> | <u>\$2,103,583</u> | <u>\$1,138,008</u> |

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

| | Private Purpose Trust | |
|--|--------------------------|-----------------|
| | Scholarship | Agency |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$12,060 | <u>\$61,792</u> |
| Liabilities | | |
| Due to Students | <u>0</u> | <u>\$61,792</u> |
| Net Assets | | |
| Held in Trust for Scholarships | <u>\$12,060</u> | |

See accompanying notes to the basic financial statements

Poland Local School District

Mahoning County, Ohio

*Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012*

| | <u>Scholarship</u> |
|-------------------------------------|------------------------|
| Additions | |
| Interest | \$5 |
| Deductions | |
| Scholarships Awarded | <u>400</u> |
| <i>Change in Net Assets</i> | (395) |
| <i>Net Assets Beginning of Year</i> | <u>12,455</u> |
| <i>Net Assets End of Year</i> | <u><u>\$12,060</u></u> |

See accompanying notes to the basic financial statements

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the District

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

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

The District is the 211th largest in the State of Ohio (among the 896 public school districts and community schools in the State of Ohio) in terms of enrollment. The District is staffed by 158 certified and 129 classified personnel to provide services to approximately 2,215 students and other community members.

Note 2 - Summary of Significant Accounting Policies

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

A. - Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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 debt, the issuance of debt, or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Jointly Governed Organizations

Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

Mahoning County Career and Technical Center The Mahoning County Career and 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 possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career and Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

Public Entity Risk Pools

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

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Mahoning County School Employees Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of twelve 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 exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

B. - Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

Governmental Funds

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

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

Bond Retirement Fund - The bond retirement debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which are derived for debt charges on bond or loans shall be paid into this fund.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

Fiduciary Funds

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

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

D. - Basis of Accounting

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

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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: interest, tuition, grants, student fees and rentals.

Deferred Revenue - 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Education at the fund level for all funds. Any budgetary modifications at the legal level of budgetary control may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15 of the preceding year, 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. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.

Estimated Resources:

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

Appropriations:

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

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

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

F. - Cash and Investments

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

Poland Local School District

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

During fiscal 2012, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Investments in STAR Ohio are reported at fair value, which is based on quoted market price. Investments in nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2012 amounted to \$4,282, which includes \$1,758 assigned from other District funds.

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

An analysis of the District's investment account at year-end is provided in Note 6.

G - Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

H. - Capital Assets

The District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,500 dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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>Estimated Lives</u> |
|-----------------------------------|------------------------|
| Land Improvements | 20 years |
| Buildings and Improvements | 20 - 50 years |
| Furniture, Fixtures and Equipment | 5 - 20 years |
| Vehicles | 5 - 10 years |

I. – 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 from them are not presented on the financial statements.

J. – Compensated Absences

Compensated absences of the District consist of vacation leave and severance 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. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years of age with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

K. – Accrued Liabilities and Long-Term Obligations

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

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. - Fund Balances

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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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. 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 or 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 the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$1,586,707, none of which is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

N. - Estimates

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

O. – Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be restricted for Bureau of Workers' Compensation (BWC) refunds. See Note 18 for details.

P. – Deferred Charges

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond issuance costs are reported as an expenditure on the governmental fund financial statement when incurred.

Q. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

R. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented net of the refunding general obligation bonds payable on the statement of net assets.

S. - 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 2012.

Note 3 – Restatement of Prior Year Net Assets

| | Governmental Activities |
|--------------------------------------|----------------------------|
| Net Assets at June 30, 2011 | \$2,302,472 |
| Adjustment to Capital Assets | 135,016 |
| Restated Net Assets at June 30, 2011 | \$2,437,488 |

During fiscal year 2012, the District restated its governmental capital asset totals to include District vehicles that were not reported on the asset inventory listing previously. This restatement included seven new vehicles with a book value of \$135,016.

Note 4 – Fund Deficits

Fund balances at June 30, 2012 included the following individual fund deficits:

| Major Fund: | Deficit |
|-------------------------------------|------------------|
| General Fund | \$255,743 |
| Nonmajor Governmental Funds: | |
| Permanent Improvement | 667,905 |
| Food Service | 8,479 |
| Auxiliary Services | 1,988 |
| Education Jobs | 1,084 |
| Title I | 1,704 |

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

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 5 - Budgetary Basis of Accounting

While the District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balances (GAAP).
4. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the adult education and public school support special revenue funds.

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

| Net Change in Fund Balance | |
|--|---------------------------|
| GAAP Basis | (\$572,031) |
| Net Adjustment for Revenue Accruals | (330,397) |
| Net Adjustment for Expenditure Accruals | 84,799 |
| Net Adjustment for Funds Budgeted as Special Revenue | 43,968 |
| Adjustment for Encumbrances | (52,826) |
| Budget Basis | <u><u>(\$826,487)</u></u> |

Note 6 - Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon the District treasury. Active 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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 held by the District can 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 payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A. Cash on Hand

At fiscal year-end, the District had \$75 in undeposited cash on hand, which is included in the Basic Financial Statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits

At June 30, 2012, the carrying value amount of all the District's deposits was \$494,138. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2012, \$250,000 of the District's bank balance of \$500,000 was exposed to custodial risk as described below, meaning \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk 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 percent 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 securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2012, the District had the following investments.

| | <u>Fair Value</u> | <u>Maturity</u> |
|-----------------------|--------------------|------------------|
| Repurchase Agreements | \$1,167,316 | 6 Months or Less |
| STAROhio | 2,611,128 | 6 Months or Less |
| Total Portfolio | <u>\$3,778,444</u> | |

The weighted average of maturities is one day.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase.

Credit Risk STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. 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 District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk The District's investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default. However, the District places no limit on the amount it may invest in any one issuer. The District's investment in STAROhio and repurchase agreements represents 69 and 31 percent, respectively, of all District investments.

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Assets as of June 30, 2012:

| <u>Cash and Investments per Note Disclosure</u> | |
|---|--------------------|
| Carrying amount of deposits | \$494,138 |
| Investments | 3,778,444 |
| Cash on hand | 75 |
| Total | <u>\$4,272,657</u> |

| <u>Cash and Investments per Statement of Net Assets</u> | |
|---|--------------------|
| Governmental activities | \$4,198,805 |
| Private-purpose trust funds | 12,060 |
| Agency funds | 61,792 |
| Total | <u>\$4,272,657</u> |

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Poland Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 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 deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the District at June 30, 2012.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|-----------------|--------------------------------|-----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$371,972,070 | 97.09 % | \$359,049,920 | 96.95 % |
| Public Utility Personal | 10,942,090 | 2.86 | 11,291,660 | 3.05 |
| Tangible Personal Property | 208,295 | 0.05 | 0 | 0.00 |
| Total | <u>\$383,122,455</u> | <u>100.00 %</u> | <u>\$370,341,580</u> | <u>100.00 %</u> |
| Tax rate per \$1,000 of assessed valuation | \$48.30 | | \$47.40 | |

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund Balances | General | Bond Retirement | Nonmajor Governmental | Total |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| <i>Nonspendable</i> | | | | |
| Inventory | \$0 | \$0 | \$13,282 | \$13,282 |
| <i>Restricted for</i> | | | | |
| Athletics & Music | 0 | 0 | 51,604 | 51,604 |
| Special Education | 0 | 0 | 13,524 | 13,524 |
| Classroom Size Reduction | 0 | 0 | 7,530 | 7,530 |
| Debt Service Payments | 0 | 1,720,618 | 0 | 1,720,618 |
| Other Purposes | 0 | 0 | 5 | 5 |
| Workers Compensation Refunds | 77,235 | 0 | 0 | 77,235 |
| <i>Total Restricted</i> | <u>77,235</u> | <u>1,720,618</u> | <u>72,663</u> | <u>1,870,516</u> |
| <i>Committed to</i> | | | | |
| Budget Stabilization | 247,765 | 0 | 0 | 247,765 |
| <i>Assigned to</i> | | | | |
| Other Purposes | 179,825 | 0 | 0 | 179,825 |
| Encumbrances | 38,616 | 0 | 0 | 38,616 |
| <i>Total Assigned</i> | <u>218,441</u> | <u>0</u> | <u>0</u> | <u>218,441</u> |
| <i>Unassigned (Deficit)</i> | <u>(799,184)</u> | <u>0</u> | <u>(694,442)</u> | <u>(1,493,626)</u> |
| <i>Total Fund Balances (Deficit)</i> | <u>(\$255,743)</u> | <u>\$1,720,618</u> | <u>(\$608,497)</u> | <u>\$856,378</u> |

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

| | (RESTATED) Balance 6/30/11 | Additions | Reductions | Balance 6/30/12 |
|---|----------------------------------|--------------------|------------------|---------------------|
| Governmental Activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$304,780 | \$0 | \$0 | \$304,780 |
| <i>Capital assets being depreciated:</i> | | | | |
| Land improvements | 1,836,232 | 0 | 0 | 1,836,232 |
| Buildings and improvements | 18,503,487 | 247,515 | 0 | 18,751,002 |
| Furniture, fixtures and equipment | 2,523,126 | 53,738 | (54,102) | 2,522,762 |
| Vehicles | 1,610,929 | 0 | (32,696) | 1,578,233 |
| <i>Total capital assets being depreciated</i> | <u>24,473,774</u> | <u>301,253</u> | <u>(86,798)</u> | <u>24,688,229</u> |
| <i>Accumulated depreciation:</i> | | | | |
| Land improvements | (1,131,774) | (88,525) | 0 | (1,220,299) |
| Buildings and improvements | (6,733,194) | (254,833) | 0 | (6,988,027) |
| Furniture, fixtures and equipment | (1,612,557) | (118,575) | 49,179 | (1,681,953) |
| Vehicles | (1,065,217) | (155,224) | 29,426 | (1,191,015) |
| <i>Total accumulated depreciation</i> | <u>(10,542,742)</u> | <u>(617,157) *</u> | <u>78,605</u> | <u>(11,081,294)</u> |
| Capital assets being depreciated, net | <u>13,931,032</u> | <u>(315,904)</u> | <u>(8,193)</u> | <u>13,606,935</u> |
| Governmental activities capital assets, net | <u>\$14,235,812</u> | <u>(\$315,904)</u> | <u>(\$8,193)</u> | <u>\$13,911,715</u> |

* Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------------|-------------------------|
| Instruction: | |
| Regular | \$362,989 |
| Special | 2,347 |
| Support Services: | |
| Instructional Staff | 4,534 |
| Administration | 1,971 |
| Fiscal | 1,856 |
| Operation and Maintenance of Plant | 5,489 |
| Pupil Transportation | 17,552 |
| Operation of Food Services | 4,566 |
| Extracurricular | 215,853 |
| Total Depreciation Expense | <u><u>\$617,157</u></u> |

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 - Receivables

Receivables at June 30, 2012, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

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

| | |
|---------------------------------|---------------------|
| Governmental Activities: | |
| Property Taxes | \$12,034,176 |
| Intergovernmental | 63,080 |
| Accounts | 4,039 |
| Accrued Interest | 9 |
| Total Receivables | \$12,101,304 |

Note 11 – Note Debt

Energy Conservation Tax Anticipation Notes - Series 2006: During fiscal year 2006, the District issued energy conservation tax anticipation notes to provide for energy improvements to District buildings. The energy conservation notes were issued on December 20, 2005, mature on November 1, 2020, and have an interest rate of 4.85 percent. A liability for these notes is reflected in the permanent improvement capital projects fund, which received the proceeds.

| | Balance at 06/30/11 | Increases | Decreases | Balance at 06/30/12 |
|---|------------------------|-----------|------------|------------------------|
| Energy Conservation Notes - Series 2006 | \$745,837 | \$0 | (\$78,550) | \$667,287 |

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2012 are as follows:

| Fiscal year Ending June 30, | Energy Conservation Notes Series 2006 | |
|--------------------------------|--|------------------|
| | Principal | Interest |
| 2013 | \$78,550 | \$31,411 |
| 2014 | 78,550 | 27,601 |
| 2015 | 78,550 | 23,791 |
| 2016 | 78,550 | 19,982 |
| 2017 | 78,550 | 16,172 |
| 2018 - 2021 | 274,537 | 26,612 |
| <i>Total</i> | \$667,287 | \$145,569 |

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 – Lease Purchase Agreements

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

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

In fiscal year 2009, the District entered into a \$338,000 lease-purchase agreement with Farmers National Bank to finance the eventual purchase of new computers and computer equipment. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District.

In fiscal year 2010, the District entered into a \$1,743,000 lease-purchase agreement to provide for energy improvements to District buildings. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District.

In fiscal year 2012, the District entered into a \$247,515 lease-purchase agreement to relating to the District's computer network and upgrades. The sources of revenue to fund the principal and interest payments are derived from general operating revenues of the District.

During fiscal year 2012, the District made payments of \$544,572 in principal and \$430,439 in interest on these lease-purchase agreements.

A liability in the amount of the present value of the minimum lease payments has been recorded in the governmental activities of the District. General capital assets consisting of buildings and equipment have been capitalized in the governmental activities of the District in the amount of \$6,056,293, and \$338,000, respectively. This amount includes the costs of the Project funded by the lease-purchase agreement that were incurred as of June 30, 2012.

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

The following is a schedule of the future minimum lease payments required under the capital lease obligations and the present value of the future minimum lease payments as of June 30, 2012:

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

| Fiscal Year Ending June 30, | |
|------------------------------------|-------------|
| 2013 | \$939,308 |
| 2014 | 851,964 |
| 2015 | 851,120 |
| 2016 | 851,145 |
| 2017 | 846,507 |
| 2018 - 2022 | 3,573,028 |
| 2023 - 2027 | 2,496,010 |
| Total Minimum Lease Payments | 10,409,082 |
| Less: Amount Representing Interest | (2,286,743) |
| Present Value of Minimum Lease | \$8,122,339 |

Note 13 - Long-term Obligations

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

| | Balance at 06/30/11 | Increases | Decreases | Balance at 6/30/12 | Amounts Due in One Year |
|--------------------------------------|------------------------|-----------|---------------|-----------------------|-------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds: | | | | | |
| Capital appreciation bonds - 1997 | \$11,250 | \$0 | (\$11,250) | \$0 | \$0 |
| Accreted interest - Series 1997 | 125,544 | 13,206 | (138,750) | 0 | 0 |
| Current interest bonds - Series 2006 | 2,960,000 | 0 | (220,000) | 2,740,000 | 330,000 |
| Capital appreciation bonds - 2006 | 100,000 | 0 | 0 | 100,000 | 0 |
| Accreted interest - Series 2006 | 162,556 | 29,555 | 0 | 192,111 | 0 |
| Total General Obligation Bonds | 3,359,350 | 42,761 | (370,000) | 3,032,111 | 330,000 |
| Other Long-Term Obligations: | | | | | |
| Lease purchase agreements | 8,419,396 | 247,515 | (544,572) | 8,122,339 | 589,736 |
| Compensated absences | 1,845,172 | 186,965 | (368,592) | 1,663,545 | 180,571 |
| Total Other Long-Term Obligations | 10,264,568 | 434,480 | (913,164) | 9,785,884 | 770,307 |
| Total Long-Term Obligations | 13,623,918 | \$477,241 | (\$1,283,164) | 12,817,995 | \$1,100,307 |
| Unamortized premium on bonds | 217,173 | | | 198,152 | |
| Deferred Loss on advance refunding | (141,394) | | | (129,010) | |
| Total on Statement of Net Assets | \$13,699,697 | | | \$12,887,137 | |

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

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

Lease Purchase Agreements: See Note 12 for detailed information on the lease-purchase agreements.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Compensated Absences: Compensated absences will be paid from the fund in which the employees' salaries are paid. For the District this includes the general fund and the food service, auxiliary services, IDEA grant and Title I grant special revenue funds.

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

The refunding issue is comprised of both current interest bonds, par value \$3,785,000, and capital appreciation bonds, par value \$380,000. The capital appreciation bonds mature December 1, 2014 and December 1, 2015 at a redemption price equal to 100 percent of the principal, plus accreted interest to the redemption date. The present value reported on the statement of net assets at June 30, 2012 was \$292,111. Total accreted interest of \$42,761 has been included in the statement of activities.

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012 are as follows:

| Fiscal year Ending June 30, | Current Interest Bonds Series 2006 | | Capital Appreciation Bonds Series 2006 | |
|--------------------------------|---------------------------------------|------------------|---|------------------|
| | Principal | Interest | Principal | Interest |
| 2013 | \$330,000 | \$117,825 | \$0 | \$0 |
| 2014 | 350,000 | 105,448 | 0 | 0 |
| 2015 | 130,000 | 96,448 | 90,000 | 140,000 |
| 2016 | 245,000 | 89,150 | 10,000 | 140,000 |
| 2017 | 415,000 | 73,875 | 0 | 0 |
| 2018 - 2022 | 1,015,000 | 199,875 | 0 | 0 |
| 2023 - 2024 | 255,000 | 6,375 | 0 | 0 |
| <i>Total</i> | <u>\$2,740,000</u> | <u>\$688,996</u> | <u>\$100,000</u> | <u>\$280,000</u> |

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent 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 percent 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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, 2012, are a legal voted debt margin of \$32,019,249 (including available funds of \$1,720,618), a legal unvoted debt margin of \$370,342, and a legal energy conservation debt margin of \$2,665,787.

Note 14 - Risk Management

A. Property, Fleet and Liability Insurance

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

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

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

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

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

B. Employee Group Health Insurance

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

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Poland Local School District
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Notes to the Basic Financial Statements
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Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 15 - Pension Plans

A - School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$310,642, \$289,428, and \$306,308, respectively; 41 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B - State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

Plan Options - New members have a choice of three retirement plan; 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 multiplies by a percentage that varies based on years of service, or an allowance based on a member's 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 lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by the Ohio Revised Code Chapter 3307.

Poland Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$1,332,596, \$1,281,450, and \$1,273,350, respectively; 83 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC and Combined Plans for fiscal year 2012 were \$24,766 made by the School District and \$17,690 made by the plan members.

C. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

Note 16 - Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. 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 monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$18,942, \$18,625 and \$18,216, which equaled the required contributions each year.

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Notes to the Basic Financial Statements
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Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is 0.55 percent. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$54,556, \$75,231 and \$49,505, respectively; 41 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2012, 2011 and 2010 were \$95,185, \$98,573 and \$97,950 respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 17 – Compensated Absences

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

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 285 days for all employees. Upon retirement, employees with 10-19 years service receive payment for one-third of their total sick leave accumulation up to a maximum of 55 days. Employees with 20-29 years service receive payment for one-third of their total sick leave accumulation up to a maximum of 60 days. Employees with more than 30 years of service receive payment for one-third of their total sick leave accumulation up to a maximum of 63 days.

Note 18 - Set-Asides

In prior years, the District was 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. However, this State statute was repealed by 129th General Assembly, File No. 8, HB 30, § 2, eff. 7/1/11.

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

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

| | Capital Improvements | BWC Refunds |
|---|-------------------------|-----------------|
| Set-Aside Reserve Balance as of June 30, 2011 | \$0 | \$77,235 |
| Current Year Set-Aside Requirement | 394,177 | 0 |
| Qualifying Disbursements | (324,472) | 0 |
| Current year offsets | (375,591) | 0 |
| Total | (\$305,886) | \$77,235 |
| Set-Aside Balance Carried Forward to | | |
| Future Fiscal Years | \$0 | \$77,235 |
| Cash balance as of June 30, 2012 | \$0 | \$77,235 |

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Poland Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

Note 19 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

B. Litigation

The District is currently party to one legal proceeding seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2012. The case of Mark DeMartino vs. The Poland Local School District is not settled as of the date of this report, and the amount, if any, to be paid to the plaintiff is not currently known, or expected to be significant.

Note 20 - Interfund Activity

During fiscal year 2012 the general fund transferred \$4,500 to the district managed student activity special revenue fund to help cover costs.

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> | | | | |
|--|-----------------------|------------------------------------|---------------------------|---------------------------|
| Program Title | Grant Year | Federal CFDA Number | Receipts | Disbursements |
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Nutrition Cluster: | | | | |
| Non-Cash Assistance (Food Distribution) | | | | |
| National School Lunch Program | N/A | 10.555 | \$39,925 | \$39,925 |
| Cash Assistance: | | | | |
| National School Lunch Program | FY 2012 | 10.555 | <u>157,428</u> | <u>157,428</u> |
| Total - Nutrition Cluster | | | <u>197,353</u> | <u>197,353</u> |
| Total U.S. Department of Agriculture | | | <u>197,353</u> | <u>197,353</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Special Education Cluster: | | | | |
| Special Education Grants to State (IDEA Part B) | FY 2010 | 84.027 | - | 3,735 |
| Special Education Grants to State (IDEA Part B) | FY 2011 | 84.027 | 76,839 | 86,103 |
| Special Education Grants to State (IDEA Part B) | FY 2012 | 84.027 | 417,631 | 417,106 |
| ARRA -Special Education Grants to State (IDEA Part B) | FY 2011 | 84.391 | - | 42,997 |
| Total Special Education Cluster | | | <u>494,470</u> | <u>549,941</u> |
| Title I Grants to Local Educational Agencies Cluster: | | | | |
| Title I Grants to Local Educational Agencies | FY 2011 | 84.010 | 27,061 | 30,252 |
| Title I Grants to Local Educational Agencies | FY 2012 | 84.010 | 210,416 | 197,029 |
| ARRA Title I Grants to Local Educational Agencies | FY 2011 | 84.389 | 14,726 | 14,726 |
| Total Title I Grants to Local Educational Agencies Cluster | | | <u>252,203</u> | <u>242,007</u> |
| Safe and Drug Free Schools and Communities Grant | FY 2012 | 84.186 | - | 834 |
| Improving Teacher Quality State Grants | FY 2011 | 84.367 | 13,965 | 14,225 |
| Improving Teacher Quality State Grants | FY 2012 | 84.367 | 31,568 | 29,062 |
| Total Improving Teacher Quality State Grants | | | <u>45,533</u> | <u>43,287</u> |
| Educational Technology State Grants | FY 2011 | 84.318 | - | 52 |
| Educational Technology State Grants | FY 2012 | 84.318 | 1,387 | 1,382 |
| Total Educational Technology State Grants | | | <u>1,387</u> | <u>1,434</u> |
| ARRA- State Fiscal Stabilization Fund - Race-to-the-Top | FY2012 | 84.395 | 1,400 | 1,400 |
| Education Jobs | FY 2012 | 84.410 | <u>319,384</u> | <u>319,384</u> |
| Total U.S. Department of Education | | | <u>1,114,377</u> | <u>1,158,287</u> |
| Total | | | <u>\$1,311,730</u> | <u>\$1,355,640</u> |

The accompanying notes are an integral part of this schedule.

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award program's receipts and disbursements. The Schedule has been prepared on a cash basis of accounting.

NOTE B- CHILD NUTRITION CLUSTER

The District commingles cash receipts from U.S. Department of Agriculture with similar State Grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATED PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D – MATCHING REQUIREMENTS

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



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

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 Poland Local School District (the District), Mahoning County, Ohio as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 to be material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 27, 2012.

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



CANTER & ASSOCIATES

Poland, Ohio

December 27, 2012



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Poland Local School District (the District), Mahoning County, 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 Poland Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure about 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 District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Poland Local School District, Mahoning County, 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 year ended June 30, 2012.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, 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 District's internal control over compliance.

Poland Local School District
Independent Accountants' Report On Compliance With Requirements That Could Have
A Direct And Material Effect On Each Major Federal Program And On Internal Control Over
Compliance In Accordance With OMB Circular A-133
PAGE 2

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 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 management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CANTER & ASSOCIATES

Poland, Ohio

December 27, 2012

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
YEAR ENDED JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | UNQUALIFIED |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | NO |
| <i>(d)(1)(ii)</i> | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | NO |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | NO |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | NO |
| <i>(d)(1)(iv)</i> | Were there any other significant deficiencies in internal control reported for major federal programs? | NO |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | UNQUALIFIED |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | NO |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Special Education Cluster –IDEA Part-B - CFDA's 84.027 & 84.391; Title 1 – Grants to Local Educational Agencies Cluster – CFDA's 84.010 & 84.389; Education Jobs – CFDA 84.410 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | YES |

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE

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Dave Yost • Auditor of State

POLAND LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 5, 2013**