



**Auditor of State  
Betty Montgomery**



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Balance Sheet – All Fund Types and Account Groups - June 30, 2001.....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001 .....	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types – For the Fiscal Year Ended June 30, 2001 .....	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type - For the Fiscal Year Ended June 30, 2001.....	7
Combined Statement of Cash Flows – Proprietary Fund Type – For the Fiscal Year Ended June 30, 2001 .....	8
Combined Balance Sheet – All Fund Types and Account Groups - June 30, 2000.....	9
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2000.....	11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types – For the Fiscal Year Ended June 30, 2000 .....	12
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type - For the Fiscal Year Ended June 30, 2000.....	13
Combined Statement of Cash Flows – Proprietary Fund Type – For the Fiscal Year Ended June 30, 2000 .....	14
Notes to the General Purpose Financial Statements .....	15
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	57
Schedule of Findings .....	59
Schedule of Prior Audit Findings .....	62

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lowellville Local School District, Mahoning County, (the District) as of and for the years ended June 30, 2001 and 2000 as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

For the years ended June 30, 2001 and 2000, we were unable to obtain sufficient evidential matter supporting the amounts reported as fixed assets in the General Fixed Asset Account Group (100% of assets) and the proprietary fund types (56% of assets), and the related depreciation expense in the propriety fund types (3% of expenses).

For the years ended June 30, 2001 and 2000, we were unable to satisfy ourselves regarding outstanding encumbrances and/or unrecorded encumbrances for all fund types.

For the years ended June 30, 2001 and 2000, we were unable to obtain sufficient evidential matter supporting the financial activities of the Student Activities, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Student Activities represent 100% of the reported Agency Fund Type assets and liabilities.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had fixed assets and depreciation, student activities, and the outstanding encumbrances and /or unrecorded encumbrances in all fund types been susceptible to satisfactory audit tests, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lowellville Local School District, Mahoning County, as of June 30, 2001 and 2000, and the results of its operations and the cash flows of its proprietary fund types for the years 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 June 15, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 15, 2004

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	
<b>ASSETS AND OTHER DEBITS</b>								
ASSETS:								
Equity in pooled cash and cash equivalents . . . . .	\$801,185	\$192,018	\$147,455	\$5,761,706	\$18,544	\$32,520		\$6,953,428
Receivables (net of allowances of uncollectibles):								
Taxes - current & delinquent . . . . .	1,049,320	16,529	168,583	20,915				1,234,432
Accrued interest . . . . .				2,498,337	557			20,915
Due from other governments . . . . .		16,189						2,515,083
Due from other funds . . . . .	84,977				4,328			84,977
Materials and supplies inventory . . . . .								4,328
Interfund loan receivable . . . . .	38,798							38,798
Restricted assets:								
Equity in pooled cash and cash equivalents . . . . .	42,899							42,899
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					11,210		\$2,032,970	2,044,180
OTHER DEBITS:								
Amount available in debt service fund . . . . .							\$147,455	147,455
Amount to be provided for retirement of general long-term obligations . . . . .							2,243,426	2,243,426
Total assets and other debits . . . . .	\$2,017,179	\$224,736	\$316,038	\$8,280,958	\$34,639	\$32,520	\$2,032,970	\$15,329,921

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total Memorandum (Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency	General		Fixed Assets	Long-Term Obligations
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>												
<b>LIABILITIES:</b>												
Accounts payable . . . . .		\$575									\$575	
Accrued wages and benefits . . . . .	\$339,768	27,234			\$2,980						369,982	
Compensated absences payable . . . . .	6,608				5,220			\$169,433			181,261	
Interfund loan payable . . . . .		38,798									38,798	
Pension obligation payable . . . . .	49,680	4,772			7,163			25,448			87,063	
Deferred revenue . . . . .	1,049,320	32,718	\$168,583	\$2,504,681	3,847						3,759,149	
Due to other funds . . . . .		73,484		11,493		\$32,520					84,977	
Due to students . . . . .											32,520	
General obligation bonds payable . . . . .								2,126,000			2,126,000	
Energy conservation bonds payable . . . . .								70,000			70,000	
<b>Total liabilities . . . . .</b>	<b>1,445,376</b>	<b>177,581</b>	<b>168,583</b>	<b>2,516,174</b>	<b>19,210</b>	<b>32,520</b>		<b>2,390,881</b>			<b>6,750,325</b>	
<b>EQUITY AND OTHER CREDITS:</b>												
Investment in general fixed assets . . . . .								\$2,032,970			2,032,970	
Retained earnings:												
unreserved . . . . .					15,429						15,429	
Fund balances:												
Reserved for encumbrances . . . . .	43,473	5,006		93,079							141,558	
Reserved for debt service . . . . .			147,455								147,455	
Reserved for school bus purchases . . . . .	20,715										20,715	
Reserved for BWC refunds . . . . .	22,184										22,184	
Unreserved-undesignated . . . . .	485,431	42,149		5,671,705							6,199,285	
<b>Total equity and other credits . . . . .</b>	<b>571,803</b>	<b>47,155</b>	<b>147,455</b>	<b>5,764,784</b>	<b>15,429</b>			<b>2,032,970</b>			<b>8,579,596</b>	
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$2,017,179</b>	<b>\$224,736</b>	<b>\$316,038</b>	<b>\$8,280,958</b>	<b>\$34,639</b>	<b>\$32,520</b>		<b>\$2,032,970</b>			<b>\$15,329,921</b>	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$967,643	\$169	\$137,327	\$13,156	\$1,118,295
Earnings on investments . . . . .	104,810			153,743	258,553
Extracurricular . . . . .		88,585			88,585
Other local revenues . . . . .	13,582	21,136			34,718
Intergovernmental - State . . . . .	2,395,213	111,127	14,874	3,378,714	5,899,928
Intergovernmental - Federal . . . . .		179,760			179,760
<b>Total revenue. . . . .</b>	<b>3,481,248</b>	<b>400,777</b>	<b>152,201</b>	<b>3,545,613</b>	<b>7,579,839</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular. . . . .	1,828,935	127,747			1,956,682
Special . . . . .	76,939	175,972			252,911
Other . . . . .		2,357			2,357
Support services:					
Pupil . . . . .	77,872	22,604			100,476
Instructional staff. . . . .	76,689	6,565			83,254
Board of Education. . . . .	17,050				17,050
Administration . . . . .	391,470	35,866			427,336
Fiscal . . . . .	201,938	1,416	3,182		206,536
Operations and maintenance . . . . .	344,251	5		260,448	604,704
Pupil transportation. . . . .	119,538	10,707			130,245
Central . . . . .	34,179	584		21,289	56,052
Extracurricular activities. . . . .	101,027	83,807			184,834
Facilities acquisition and construction. . . . .				527,496	527,496
Debt service:					
Principal retirement . . . . .				2,126,000	2,126,000
Interest and fiscal charges . . . . .			71,074	77,423	148,497
Bond issuance costs . . . . .				38,885	38,885
<b>Total expenditures . . . . .</b>	<b>3,269,888</b>	<b>467,630</b>	<b>74,256</b>	<b>3,051,541</b>	<b>6,863,315</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	211,360	(66,853)	77,945	494,072	716,524
Other financing sources (uses):					
Operating transfers in . . . . .	49,902	38,857	3,693	800,000	892,452
Operating transfers out . . . . .	(822,716)	(42,251)		(27,543)	(892,510)
Proceeds from the sale of bonds. . . . .				2,126,000	2,126,000
Premium and accrued interest on bonds sold . . . . .				43,730	43,730
<b>Total other financing sources (uses) . . . . .</b>	<b>(772,814)</b>	<b>(3,394)</b>	<b>3,693</b>	<b>2,942,187</b>	<b>2,169,672</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses. . . . .	(561,454)	(70,247)	81,638	3,436,259	2,886,196
Fund balances, July 1 . . . . .	1,133,257	117,402	65,817	2,328,525	3,645,001
Fund balances, June 30 . . . . .	<u>\$571,803</u>	<u>\$47,155</u>	<u>\$147,455</u>	<u>\$5,764,784</u>	<u>\$6,531,197</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	General				Special Revenue				Debt Service				Capital Projects				Total (Memorandum only)			
	Revised	Actual	Variance: Favorable (Unfavorable)		Revised	Actual	Variance: Favorable (Unfavorable)		Budget Revised	Actual	Variance: Favorable (Unfavorable)		Budget Revised	Actual	Variance: Favorable (Unfavorable)		Budget Revised	Actual	Variance: Favorable (Unfavorable)	
	Budget				Budget															
<b>Revenues:</b>																				
From local sources:																				
Taxes.....	\$961,309	\$967,643	\$6,334	\$90	\$169	\$79	\$60,632	\$137,327	\$76,695	\$137,327	\$60,632	\$49	\$49	\$13,156	\$13,107	\$1,038,143	\$1,118,295	\$80,152		
Earnings on investments.....	85,000	104,810	19,810									354	354	153,351	152,997	85,354	258,161	172,807		
Extracurricular.....				47,413	88,585	41,172										47,413	88,585	41,172		
Other local revenues.....	5,000	13,582	8,582													14,580	31,482	16,902		
Intergovernmental - State.....	1,912,930	2,395,213	482,283					14,874		14,874		7,802	7,802	3,370,912	3,370,912	1,968,772	5,899,928	3,916,282		
Intergovernmental - Federal.....				106,877	179,760	72,883										106,877	179,760	72,883		
Total revenues.....	2,964,239	3,481,248	517,009	212,000	397,541	185,541	60,632	152,201	76,695	152,201	60,632	8,205	8,205	3,545,221	3,537,016	3,261,139	7,576,211	4,300,198		
<b>Expenditures:</b>																				
Current:																				
Instruction:																				
Regular.....	1,822,325	1,796,352	25,973	117,520	126,018	(8,498)										1,939,845	1,922,370	17,475		
Special.....	78,050	75,737	2,313	143,214	166,880	(23,666)										221,264	242,617	(21,353)		
Other.....				2,000	2,352	(352)										2,000	2,352	(352)		
Support services:																				
Pupil.....	85,219	77,721	7,498	24,750	25,004	(254)										109,969	102,725	7,244		
Instructional staff.....	81,331	77,706	3,625	6,500	6,576	(76)										87,831	84,282	3,549		
Board of Education.....	37,500	16,824	20,676													37,500	16,824	20,676		
Administration.....	448,516	402,323	46,193	56,675	35,478	21,197										505,191	437,801	67,390		
Fiscal.....	192,005	230,242	(38,237)	1,600	1,400	200		3,182		3,182	(3,182)					193,605	234,824	(41,219)		
Operations and maintenance.....	381,109	339,820	41,289	0	5	(5)										416,109	693,159	(277,050)		
Pupil transportation.....	155,628	130,982	24,646	500	10,437	(9,937)										156,128	141,419	14,709		
Central.....	52,000	32,932	19,068	0	758	(758)										75,015	55,172	19,843		
Extracurricular activities.....				68,679	83,589	(14,910)										68,679	83,589	(14,910)		
Facilities acquisition and construction.....	70,000	99,359	(29,359)													1,042,223	626,855	415,368		
Debt service:																				
Principal retirement.....																0	2,126,000	(2,126,000)		
Interest and fiscal charges.....																0	148,496	(148,496)		
Bond issuance costs.....																0	38,885	(38,885)		
Total expenditures.....	3,403,683	3,279,998	123,685	421,438	458,497	(37,059)										4,855,359	6,957,370	(2,102,011)		
Excess (deficiency) of revenues over (under) expenditures.....	(439,444)	201,250	640,694	(209,438)	(60,956)	148,482	1,250	77,945	76,695	(1,022,033)	400,602	1,422,635	400,602	618,841	2,213,061	(1,594,220)	618,841	2,213,061		
Other financing sources (uses):																				
Refund of prior year's expenditures.....	0	3,539	3,539													0	3,539	3,539		
Operating transfers in.....	0	526,360	526,360	0	42,112	42,112	54,951	134,895	79,944	(131,202)	131,202	1,847	1,847	800,000	798,153	81,791	1,503,367	1,421,576		
Operating transfers out.....	(800,000)	(1,299,175)	(499,175)	(1,800)	(42,271)	(40,471)			0	(131,202)		0	0	(27,543)	(27,543)	(801,800)	(1,500,191)	(698,391)		
Pass-through.....	(32,077)	0	32,077													(32,077)	0	32,077		
Proceeds from the sale of bonds.....																4,909	2,126,000	2,121,091		
Premium and accrued interest on bonds sold.....																101	43,730	43,629		
Total other financing sources (uses).....	(832,077)	(769,276)	62,801	(1,800)	(159)	1,641	(76,251)	3,693	79,944	(76,251)	3,693	101	6,837	2,942,187	2,935,330	(747,076)	2,176,445	2,923,521		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.....	(1,271,521)	(568,026)	703,495	(211,238)	(61,115)	150,123	(75,001)	81,638	156,639	(1,015,176)	3,342,789	4,357,965	(1,015,176)	3,342,789	4,357,965	(2,341,296)	2,795,286	5,136,582		
Fund balances, July 1.....	1,429,660	1,429,660	0	125,395	125,395	0	0	65,817	65,817	0	0	2,298,807	2,298,807	0	0	3,919,679	3,919,679	0		
Prior year encumbrances appropriated.....	23,954	23,954	0	49,248	49,248	0	0	0	0	0	0	15,538	15,538	0	0	88,740	88,740	0		
Fund balances, June 30.....	\$182,093	\$885,588	\$703,495	(836,595)	\$113,528	\$150,123	(\$75,001)	\$147,455	\$222,456	(\$129,911)	\$5,657,134	\$4,357,965	\$1,299,169	\$5,657,134	\$4,357,965	\$1,667,123	\$6,803,705	\$5,136,582		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees . . . . .	\$375
Sales/charges for service . . . . .	95,622
	95,997
Operating expenses:	
Personal services . . . . .	74,359
Contract services . . . . .	761
Materials and supplies . . . . .	101,202
Other operating expense . . . . .	317
Depreciation . . . . .	51
	176,690
Operating loss . . . . .	(80,693)
Nonoperating revenues:	
Operating grants . . . . .	46,593
Federal commodities . . . . .	23,425
	70,018
Net loss before operating transfers . . . . .	(10,675)
Operating transfers in . . . . .	58
Net loss . . . . .	(10,617)
Retained earnings at July 1 . . . . .	26,046
Retained earnings at June 30 . . . . .	\$15,429

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$375
Cash received from sales/service charges . . . . .	95,622
Cash payments for personal services. . . . .	(78,083)
Cash payments for contract services . . . . .	(761)
Cash payments for materials and supplies . . . . .	(78,020)
Cash payments for other expenses . . . . .	(317)
	(61,184)
Net cash used in operating activities . . . . .	(61,184)
Cash flows from noncapital financing activities:	
Cash received from operating grants. . . . .	59,151
Cash received from operating transfer in. . . . .	58
	59,209
Net cash provided by noncapital financing activities . . . . .	59,209
Cash flows from capital and related financing activities:	
Acquisition of capital assets. . . . .	(510)
	(510)
Net cash used in capital and related financing activities . . . . .	(510)
Net decrease in cash and cash equivalents . . . . .	(2,485)
Cash and cash equivalents at beginning of year . . . . .	21,029
Cash and cash equivalents at end of year. . . . .	\$18,544
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss. . . . .	(\$80,693)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation . . . . .	51
Federal donated commodities . . . . .	23,425
Changes in assets and liabilities:	
Increase in materials and supplies inventory. . . . .	(3,836)
Decrease in accrued wages and benefits . . . . .	(1,454)
Increase in compensated absences payable. . . . .	155
Decrease in pension obligation payable . . . . .	(2,425)
Increase in deferred revenue . . . . .	3,593
	3,593
Net cash used in operating activities . . . . .	(\$61,184)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Agency		General	Long-Term
										Fixed Assets	Obligations
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash and cash equivalents . . . . .	\$1,405,948	\$174,643	\$65,817	\$2,314,345	\$21,029	\$21,519			\$4,003,301		
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent. . . . .	1,065,946		156,626	15,061					1,237,633		
Accrued interest . . . . .				17,205					17,205		
Due from other governments . . . . .				11,047,861	13,115				11,060,976		
Materials and supplies inventory . . . . .					492				492		
Interfund loan receivable . . . . .	38,798								38,798		
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	47,666								47,666		
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					10,751		\$1,645,646		1,656,397		
<b>OTHER DEBITS:</b>											
Amount available in debt service fund . . .								\$65,817	65,817		
Amount to be provided for retirement of general long-term obligations . . . . .								2,306,928	2,306,928		
<b>Total assets and other debits. . . . .</b>	<b>\$2,558,358</b>	<b>\$174,643</b>	<b>\$222,443</b>	<b>\$13,394,472</b>	<b>\$45,387</b>	<b>\$21,519</b>	<b>\$1,645,646</b>	<b>\$2,372,745</b>	<b>\$20,435,213</b>		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Agency		General Fixed Assets	Long-Term Obligations
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>											
<b>LIABILITIES:</b>											
Accounts payable . . . . .	\$11,314								\$11,314		
Accrued wages and benefits . . . . .	291,102	\$15,803		\$4,434					311,339		
Compensated absences payable . . . . .	7,121			5,065			\$150,922		163,108		
Interfund loan payable. . . . .		38,798						25,823	38,798		
Pension obligation payable. . . . .	49,618	2,640		9,588					87,669		
Deferred revenue. . . . .	1,065,946		\$156,626	\$11,065,947	254				12,288,773		
Due to students. . . . .					\$21,519				21,519		
Bond anticipation notes payable. . . . .								2,126,000	2,126,000		
Energy conservation bonds payable . . . . .							70,000		70,000		
Total liabilities . . . . .	1,425,101	57,241	156,626	11,065,947	19,341		2,372,745		15,118,520		
<b>EQUITY AND OTHER CREDITS:</b>											
Investment in general fixed assets. . . . .						\$1,645,646			1,645,646		
Retained earnings:											
unreserved. . . . .					26,046				26,046		
Fund balances:											
Reserved for encumbrances . . . . .	23,954	49,238		15,538					88,730		
Reserved for debt service . . . . .			65,817						65,817		
Reserved for school bus purchases . . . . .	715								715		
Reserved for budget stabilization . . . . .	40,585								40,585		
Reserved for capital acquisition. . . . .	6,366								6,366		
Unreserved-undesignated . . . . .	1,061,637	68,164		2,312,987					3,442,788		
Total equity and other credits . . . . .	1,133,257	117,402	65,817	2,328,525	26,046		1,645,646		5,316,693		
Total liabilities, equity and other credits. . . . .	\$2,558,358	\$174,643	\$222,443	\$13,394,472	\$45,387	\$1,645,646	\$2,372,745		\$20,435,213		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$966,761		\$66,078	\$6,354	\$1,039,193
Earnings on investments . . . . .	56,224			49,667	105,891
Extracurricular . . . . .		\$102,513			102,513
Other local revenues . . . . .	24,492	8,501			32,993
Intergovernmental - State . . . . .	2,288,187	112,348		314,816	2,715,351
Intergovernmental - Federal . . . . .		113,904			113,904
<b>Total revenue.</b> . . . . .	<u>3,335,664</u>	<u>337,266</u>	<u>66,078</u>	<u>370,837</u>	<u>4,109,845</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,803,586	28,459		4,990	1,837,035
Special . . . . .	65,755	117,503			183,258
Support services:					
Pupil . . . . .	75,519	467			75,986
Instructional staff . . . . .	64,919	2,785			67,704
Board of Education . . . . .	8,304				8,304
Administration . . . . .	332,185	38,248			370,433
Fiscal . . . . .	154,350		130		154,480
Operations and maintenance . . . . .	372,351			5,795	378,146
Pupil transportation . . . . .	182,171	5,552			187,723
Central . . . . .	8,570	3,336		13,104	25,010
Extracurricular activities . . . . .	102,921	56,832			159,753
Facilities acquisition and construction . . . . .	6,657	24,244		210,660	241,561
Debt service:					
Interest and fiscal charges . . . . .			5,476		5,476
<b>Total expenditures</b> . . . . .	<u>3,177,288</u>	<u>277,426</u>	<u>5,606</u>	<u>234,549</u>	<u>3,694,869</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>158,376</u>	<u>59,840</u>	<u>60,472</u>	<u>136,288</u>	<u>414,976</u>
Other financing sources (uses):					
Operating transfers in . . . . .		60,130		8,884	69,014
Operating transfers out . . . . .	(69,014)				(69,014)
Proceeds from the sale of notes . . . . .				2,126,000	2,126,000
<b>Total other financing sources (uses)</b> . . . . .	<u>(69,014)</u>	<u>60,130</u>		<u>2,134,884</u>	<u>2,126,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses. . . . .	89,362	119,970	60,472	2,271,172	2,540,976
Fund balances (deficit), July 1 . . . . .	1,043,895	(2,568)	5,345	57,353	1,104,025
Fund balances, June 30 . . . . .	<u>\$1,133,257</u>	<u>\$117,402</u>	<u>\$65,817</u>	<u>\$2,328,525</u>	<u>\$3,645,001</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)	
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Budget Revised	Actual	Variance:	Budget Revised	Actual	Budget Revised	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)					
<b>Revenues:</b>														
From local sources:														
Taxes.....	\$1,001,619	\$966,761	(\$34,858)		\$35,000	\$66,078	\$3	\$6,354	\$6,351	\$1,039,193	\$1,036,622	\$1,039,193	\$2,571	
Earnings on investments.....	58,251	56,224	(2,027)				14	35,487	35,473	91,711	58,265	91,711	33,446	
Extracurricular.....	25,375	24,492	(883)	\$71,830	\$102,513	\$30,683		8,501	2,544	102,513	71,830	102,513	30,683	
Other local revenues.....	2,370,942	2,288,187	(82,755)	5,957	8,501	2,544		31,332	32,993	32,993	31,332	32,993	1,661	
Intergovernmental - State.....				49,750	110,741	60,991				2,420,818	2,420,818	2,713,638	292,820	
Intergovernmental - Federal.....				107,913	115,511	7,598				115,511	107,913	115,511	7,598	
Total revenues.....	3,456,187	3,335,664	(120,523)	235,450	337,266	101,816	143	356,551	356,408	4,095,559	3,726,780	4,095,559	368,779	
<b>Expenditures:</b>														
Current:														
Instruction:														
Regular.....	1,903,902	1,759,950	143,952	124,000	75,140	48,860	0	4,990	(4,990)	1,840,080	2,027,902	1,840,080	187,822	
Special.....	84,322	71,934	12,388	190,338	131,005	59,333				202,939	274,660	202,939	71,721	
Other.....	1,485	0	1,485							1,485	1,485	1,485	0	
Support services:														
Pupil.....	82,005	77,327	4,678	0	462	(462)				77,789	82,005	77,789	4,216	
Instructional staff.....	73,307	66,626	6,681	0	2,761	(2,761)				69,387	73,307	69,387	3,920	
Board of Education.....	10,895	8,304	2,591							10,895	10,895	8,304	2,591	
Administration.....	334,871	326,391	8,480	0	38,923	(38,923)				334,871	334,871	365,314	(30,443)	
Fiscal.....	244,334	162,955	81,379							244,334	162,955	163,085	81,249	
Operations and maintenance.....	501,893	380,753	121,140							501,893	386,548	386,548	115,345	
Pupil transportation.....	213,826	180,262	33,564	10,260	5,511	4,749	0	5,795	(5,795)	185,773	224,086	185,773	38,313	
Central.....	25,056	8,250	16,806	0	3,326	(3,326)				25,056	25,056	34,995	(9,939)	
Extracurricular activities.....	119,159	102,351	16,808	0	56,898	(56,898)				119,159	119,159	159,249	(40,090)	
Facilities acquisition and construction.....	150,487	6,657	143,830	0	24,244	(24,244)				150,487	345,977	246,784	99,193	
Debt service:														
Interest and fiscal charges.....	41,568	0	41,568							41,568	41,568	5,476	36,092	
Total expenditures.....	3,787,110	3,151,760	635,350	324,598	338,270	(13,672)	0	5,606	(5,606)	3,745,723	4,307,198	3,745,723	561,475	
Excess (deficiency) of revenues over (under) expenditures.....	(330,923)	183,904	514,827	(89,148)	(1,004)	88,144	35,000	60,472	25,472	106,464	(580,418)	349,836	930,254	
Other financing sources (uses):														
Operating transfers in.....	(69,014)	(69,014)	0	42,134	60,130	17,996	4	8,884	8,880	69,014	42,138	69,014	26,876	
Operating transfers out.....										(69,014)	(69,014)	(69,014)	0	
Advances in.....										0	0	0	38,798	
Advances out.....										0	0	0	(38,798)	
Proceeds from the sale of notes.....										853	853	2,126,106	2,125,253	
Total other financing sources (uses).....	(69,014)	(107,812)	(38,798)	42,134	98,928	56,794	857	2,134,990	2,134,133	2,126,106	(26,023)	2,126,106	2,152,129	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(399,937)	76,092	476,029	(47,014)	97,924	144,938	35,000	60,472	25,472	2,241,454	(606,441)	2,475,942	3,082,383	
Fund balances, July 1.....	1,353,568	1,353,568	0	27,471	27,471	0	5,345	5,345	0	57,353	1,443,737	1,443,737	0	
Prior year encumbrances appropriated.....	0	0	0	0	0	0	0	0	0	0	0	0	0	
Fund balances, June 30.....	\$953,631	\$1,429,660	\$476,029	(\$19,543)	\$125,395	\$144,938	\$40,345	\$65,817	\$25,472	(\$137,137)	\$2,298,807	\$3,919,679	\$3,082,383	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN RETAINED EARNINGS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees . . . . .	\$1,520
Sales/charges for service . . . . .	80,489
	82,009
Total operating revenues . . . . .	82,009
Operating expenses:	
Personal services . . . . .	82,941
Contract services . . . . .	681
Materials and supplies . . . . .	80,777
Other operating expense . . . . .	178
	164,577
Total operating expenses . . . . .	164,577
Operating loss . . . . .	(82,568)
Nonoperating revenues:	
Operating grants . . . . .	62,889
Federal commodities . . . . .	16,289
	79,178
Total nonoperating revenues . . . . .	79,178
Net loss . . . . .	(3,390)
Retained earnings at July 1 . . . . .	29,436
Retained earnings at June 30 . . . . .	\$26,046

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	\$1,520
Cash received from sales/service charges . . . . .	80,489
Cash payments for personal services. . . . .	(73,570)
Cash payments for contract services . . . . .	(681)
Cash payments for materials and supplies . . . . .	(63,676)
Cash payments for other expenses . . . . .	(178)
	(56,096)
Net cash used in operating activities . . . . .	(56,096)
Cash flows from noncapital financing activities:	
Cash received from operating grants. . . . .	48,859
	48,859
Net cash provided by noncapital financing activities . . . . .	48,859
Net decrease in cash and cash equivalents . . . . .	(7,237)
Cash and cash equivalents at beginning of year . . . . .	28,266
Cash and cash equivalents at end of year. . . . .	\$21,029
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss. . . . .	(\$82,568)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Federal donated commodities . . . . .	16,289
Changes in assets and liabilities:	
Decrease in materials and supplies inventory . . . . .	1,543
Decrease in due from other governments. . . . .	1,830
Increase in accrued wages and benefits. . . . .	1,742
Increase in compensated absences payable. . . . .	1,751
Increase in pension obligation payable . . . . .	4,963
Decrease in deferred revenue. . . . .	(1,646)
	(56,096)
Net cash used in operating activities . . . . .	(\$56,096)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

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

The District serves an area of approximately 14 square miles. It is located in Mahoning County, and includes the Village of Lowellville. It is staffed by 45 non-certificated employees and 22 certificated full-time teaching personnel who provide services to 630 students and other community members. The District currently operates 2 instructional buildings.

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

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence.

Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

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

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

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

Mahoning County Career & Technical Center

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

*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.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of 14 Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

**B. Fund Accounting**

The District uses funds and account groups 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. 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.

*GOVERNMENTAL FUND TYPES*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

*PROPRIETARY FUND TYPE*

Proprietary funds are used to account for the District's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

*Enterprise Funds* - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*FIDUCIARY FUND TYPE*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. At June 30, 2001, the agency fund had no items, which, in other fund types, would be subject to accrual.

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

*General Fixed Assets Account Group* - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001 and 2000, and which are intended to finance fiscal years 2002 and 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.



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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal years 2001 and 2000 is as follows:

1. 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.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001 and 2000.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the object level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

5. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter appropriations within functions, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001 and 2000.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. There were no encumbrances outstanding for the enterprise funds at fiscal year-end.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

During the fiscal years 2001 and 2000, the District's investments were limited to STAR Ohio and certificates of deposit. Investments in STAR Ohio are reported at fair value. Investments in nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

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, 2001 and June 30, 2000.

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 years 2001 and 2000 amounted to \$104,810 and \$56,224 respectively, which includes \$31,031 and \$7,247 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	5 - 20

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

**H. Intergovernmental Revenues**

In governmental funds, entitlements, reimbursable and non-reimbursable grants (to the extent eligibility requirements have been met by year-end) are recorded as receivables and revenue when measurable and available. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Title I

Drug-Free Schools

Teacher Development

Title VI-B

Title VI

Safe-School Help Line

Disadvantaged Pupils Program

Excellence in Foundation

Eisenhower Grant

Ohio Reads

Summer School Subsidy

Class Size Reduction

SchoolNet Professional Development

Textbook/Instructional Materials Subsidy

Miscellaneous State Grants

Capital Projects Funds

SchoolNet

Technology Equity

Emergency School Building Repair

Classroom Facilities Construction

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

Reimbursable Grants

General Fund

Driver Education Reimbursement

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 79 percent of the District's operating revenue during the 2001 fiscal year and 68 percent of the District's operating revenue during the 2000 fiscal year.

**I. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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, all employees with 20 years of current service with the District, all employees age 45 with at least 15 years of service, and all employees age 50 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

For governmental funds, these amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**K. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, school bus purchases and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**L. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001 and June 30, 2000.

See Note 5 for an analysis of interfund transactions.

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 17 for details.

**N. Estimates**

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

**O. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as reported by the District at June 30, 2000.

**B. Noncompliance**

Fund balances at June 30, 2001 include the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$110,207
Title VI	3,291
Class Size Reduction	9,986
Miscellaneous Federal Grants	10,246
Ohio Reads	1,465
<u>Capital Projects Fund</u>	
Technology Equity	11,493

Fund balances at June 30, 2000 include the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$44,834
Title VI	24

In fiscal year 2001, the Title I, Title VI, Class Size Reduction and Miscellaneous Federal Grants special revenue funds and the Technology Equity capital projects fund did not comply with Ohio Revised Code Section 5705.10, which does not permit a cash-basis deficit at year-end. A fund liability has been recorded on a GAAP-basis for the amount of the negative cash balances (see Note 5.B.).

The following funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

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

In fiscal year 2001, the deficit fund balance in the Ohio Reads special revenue fund was caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. In fiscal year 2000, the deficit fund balances in the Title I and Title VI special revenue funds were caused by the application of GAAP, namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

Contrary to Ohio law (Ohio Revised Code Section 5705.41 D), expenditures were made without proper certification of the fiscal officer.

Contrary to Ohio law (Ohio Revised Code Section 5705.41 B), expenditures exceeded appropriations in several funds at June 30, 2001 and June 30, 2000.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At years ending June 30, 2001 and 2000, the carrying amount of the District's deposits were \$5,148,309 and \$2,050,967 respectively and the bank balance was \$5,360,571 and \$2,178,999 respectively. These balances included \$4,635,345 and \$1,201,309 respectively in nonnegotiable certificates of deposit. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$5,160,571 at 2001 fiscal year-end and \$1,978,999 at 2000 fiscal year-end was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had investments of \$1,848,018 in STAR Ohio at June 30, 2001. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

<u>2000:</u>	<u>Category</u>	<u>Reported</u>	<u>Fair</u>
	<u>3</u>	<u>Amount</u>	<u>Value</u>
Repurchase agreements	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

<u>2001:</u>	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,996,327	\$ 0
Investments of the cash management pool:		
Repurchase Agreement	<u>(1,848,018)</u>	<u>1,848,018</u>
GASB Statement No. 3	<u>\$ 5,148,309</u>	<u>\$1,848,018</u>
 <u>2000:</u>		
GASB Statement No. 9	\$ 4,050,967	\$ 0
Investments of the cash management pool:		
Investment in STAR Ohio	<u>(2,000,000)</u>	<u>2,000,000</u>
GASB Statement No. 3	<u>\$ 2,050,967</u>	<u>\$2,000,000</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. The following is a summarized breakdown of the District's operating transfers for fiscal years 2001 and 2000:

<u>2001:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$49,902	\$822,716
 <u>Special Revenue Funds</u>		
Classroom Facilities	18,749	---
District Managed Student Activities	---	1,753
Ohio Reads	4,834	1,163
Disadvantaged Pupil Impact Aid	15,274	---
Title VI-B	---	1,812
Title I	---	32,762
Title VI	---	2,761
Drug-Free Schools	---	2,000

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

<u>2001:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund	\$ 3,693	\$ ---
<u>Capital Projects Funds</u>		
Permanent Improvement	800,000	---
Technology Equity	---	5,104
Emergency Repair	---	3,690
Classroom Facilities	---	18,749
<u>Enterprise Fund</u>		
Food Service	<u>58</u>	<u>---</u>
Total	<u>\$892,510</u>	<u>\$892,510</u>
 <u>2000:</u>		
General Fund	\$ ---	\$69,014
<u>Special Revenue Funds</u>		
District Managed Student Activities	1,542	---
Teacher Development	945	---
Disadvantaged Pupil Impact Aid	18,308	---
Title VI-B	1,812	---
Title I	32,762	---
Title VI	2,761	---
Drug-Free Schools	2,000	---
<u>Capital Projects Funds</u>		
Technology Equity	5,194	---
Emergency Repair	<u>3,690</u>	<u>---</u>
Total	<u>\$69,014</u>	<u>\$69,014</u>



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

- B.** Interfund balances at June 30, 2001 and June 2000, consist of the following individual interfund loans receivable and payable:

General Fund	\$38,798	\$ -
<u>Special Revenue Funds</u>		
Title I	_____ -	_____ 38,798
Total	<u>\$38,798</u>	<u>\$38,798</u>

- C.** Amounts “due to” and “due from” other funds to cover negative cash balances at June 30, 2001, consist of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$84,977	\$ - - -
<u>Special Revenue Funds</u>		
Title I	- - -	52,703
Title VI	- - -	3,088
Class Size Reduction	- - -	7,558
Miscellaneous Federal Grants	- - -	10,135
<u>Capital Projects Fund</u>		
Technology Equity	_____ - - -	_____ 11,493
Totals	<u>\$84,977</u>	<u>\$84,977</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 and 1999 taxes were collected was \$30,017,750 and \$26,182,200 respectively. Agricultural/Residential and public utility/minerals real estate represented 63.37% and 58.09% or \$19,022,830 and \$15,209,430 respectively of this total; Commercial & Industrial real estate represented 7.19% and 7.35% or \$2,157,380 and \$1,923,740, of this total respectively, public utility tangible represented 21.40% and 25.53% or \$6,422,490 and \$6,683,730 respectively, of this total and general tangible property represented 8.04% and 9.03% respectively or \$2,415,050 and \$2,365,300 respectively of this total. The voted general tax rate at the fiscal years ended June 30, 2001 and 2000 was \$55.90 per \$1,000.00 of assessed valuation for operations and \$5.10 per \$1,000.00 of assessed valuation for debt service.

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.

The District receives property taxes from Mahoning County. The County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001 and June 20, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no property tax advances available to the District at June 30, 2001 and June 30, 2000.

**NOTE 7 - RECEIVABLES**

Receivables at years ended June 30, 2001 and 2000, consisted of taxes, accrued interest, intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end) and amounts due from other funds. Intergovernmental receivables have been recorded as "Due From Other Governments" on the combined balance sheet. 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.

A summary of the principal items of receivables follows:

<u>2001:</u>	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$1,049,320
Due from other funds	84,977
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	16,529
Due from other governments	16,189
<u>Debt Service Fund</u>	
Taxes - current and delinquent	168,583
<u>Capital Projects Funds</u>	
Accrued interest	20,915
Due from other governments	2,498,337
<u>Enterprise Funds</u>	
Due from other governments	557

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 7 - RECEIVABLES - (Continued)**

<u>2000:</u>	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$ 1,065,946
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	156,626
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	15,061
Accrued interest	17,205
Due from other governments	11,047,861
 <u>Enterprise Funds</u>	
Due from other governments	13,115

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal years ending June 30, 2001 and 2000 are as follows:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Land and improvements	\$ 25,769	\$103,610	\$ ---	\$ 129,379
Buildings and improvements	436,607	---	---	436,607
Furniture and equipment	434,461	87,730	---	522,191
Vehicles	156,895	---	---	156,895
Construction in progress	<u>591,914</u>	<u>195,984</u>	<u>---</u>	<u>787,898</u>
Total	<u>\$1,645,646</u>	<u>\$387,324</u>	<u>\$ 0</u>	<u>\$2,032,970</u>
	<u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2000</u>
Land and improvements	\$ 25,769	\$ ---	\$ ---	\$ 25,769
Buildings and improvements	418,895	17,712	---	436,607
Furniture and equipment	339,693	94,768	---	434,461
Vehicles	103,957	52,938	---	156,895
Construction in progress	<u>581,207</u>	<u>10,707</u>	<u>---</u>	<u>591,914</u>
Total	<u>\$1,469,521</u>	<u>\$176,125</u>	<u>\$ 0</u>	<u>\$1,645,646</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 8 - FIXED ASSETS - (Continued)**

A summary of the proprietary fixed assets at June 30, 2001 and 2000 follows:

	<u>Balance</u> <u>June 30, 2001</u>	<u>Balance</u> <u>June 30, 2000</u>
Furniture and equipment	\$ 33,445	\$ 32,935
Less: accumulated depreciation	<u>(22,235)</u>	<u>(22,184)</u>
Net fixed assets	<u>\$ 11,210</u>	<u>\$ 10,751</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$13,285,081, of which OSFC will pay \$11,159,081.

Interest payments on the general obligation bonds are due on December 1 of each year. The final maturity stated in the issue is December 1, 2022.

In conjunction with the 5.1 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the capital projects funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

- B.** On July 16, 1997, the District issued \$350,000 in unvoted general obligation bonds for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The bonds were issued for a five-year period with a final maturity during fiscal year 2001. The bond will be retired from the debt service fund.
- C.** The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds and the energy conservation bonds:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 86,000	\$ 132,672	\$ 218,672
2003	65,000	129,069	194,069
2004	40,000	111,230	151,230
2005	40,000	109,400	149,400
2006	45,000	107,434	152,434
2007 - 2011	325,000	495,600	820,600
2012 - 2016	505,000	386,331	891,331
2017 - 2021	730,000	203,783	933,783
2022 - 2023	<u>360,000</u>	<u>19,617</u>	<u>379,617</u>
Total	<u>\$2,196,000</u>	<u>\$1,695,136</u>	<u>\$3,891,136</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

D. On March 8, 2000, the District issued \$2,126,000 in bond anticipation notes to finance the construction of a new building for the elementary, middle and high school. These notes had an annual interest rate of 4.75% and matured on December 14, 2000. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to be Refinanced," the bond anticipation notes were considered a long-term obligation since, prior to the financial statements being issued, the District had entered into a financing agreement that insured that the notes would be refinanced on a long-term basis. The bond anticipation notes were retired in fiscal 2001 using the proceeds of the bond issue described in Note 9.A. A summary of the bond anticipation note transactions for the fiscal years ended June 30, 2001 and 2000 follows:

	Principal Outstanding June 30, 2000	Additions	Reductions	Principal Outstanding June 30, 2001
<u>Capital Projects Funds</u>				
Bond Anticipation Notes - 4.75%	<u>\$2,126,000</u>	<u>\$ - - -</u>	<u>\$(2,126,000)</u>	<u>\$ 0</u>
	Principal Outstanding June 30, 1999	Additions	Reductions	Principal Outstanding June 30, 2000
<u>Capital Projects Funds</u>				
Bond Anticipation Notes - 4.75%	<u>\$ 0</u>	<u>\$2,126,000</u>	<u>\$ - - -</u>	<u>\$2,126,000</u>

E. During the fiscal years ended June 30, 2001 and 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 2000	Increase	Decrease	Balance June 30, 2001
Energy conservation bonds	\$ 70,000	\$ - - -	\$ - - -	\$ 70,000
General obligation bonds	0	2,126,000	- - -	2,126,000
Bond anticipation notes	2,126,000	- - -	(2,126,000)	0
Compensated absences	150,922	18,511	- - -	169,433
Pension obligation payable	<u>25,823</u>	<u>25,448</u>	<u>(25,823)</u>	<u>25,448</u>
 Total	 <u>\$2,372,745</u>	 <u>\$2,169,959</u>	 <u>\$(2,151,823)</u>	 <u>\$2,390,881</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Energy conservation bonds	\$ 70,000	\$ ---	\$ ---	\$ 70,000
Bond anticipation notes	0	2,126,000	---	2,126,000
Compensated absences	157,818	---	(6,896)	150,922
Pension obligation payable	<u>31,411</u>	<u>25,823</u>	<u>(31,411)</u>	<u>25,823</u>
Total	<u>\$259,229</u>	<u>\$2,151,823</u>	<u>\$(38,307)</u>	<u>\$2,372,745</u>

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 and 2000 are a voted debt margin of \$723,053 and \$2,422,215, respectively (including available funds of \$147,455 and \$65,817, respectively) and an unvoted debt margin of \$30,018 and \$26,182, respectively.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

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

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal years 2001 and 2000, the District contracted with Indiana Insurance Company to provide the following coverage:

2001:

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

There has not been a significant reduction in coverage from the prior year.

2000:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - Replacement Cost	\$1,000	\$16,015,915
Inland Marine Coverage	250	687,761
Boiler and Machinery	1,000	30,000,000
Crime Insurance	1,000	250,000
Automobile Liability	250	2,000,000
Uninsured Motorists	250	1,000,000
General Liability		
Per occurrence	0	2,000,000
Total per year	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**B. Employee Group Health Insurance**

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

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

The District pays 100% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Professional Risk Management, a third party administrator. The District pays 90% of prescription and dental premiums. Unum provides the life insurance coverage.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

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

**C. Workers' Compensation**

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the fiscal years ended June 30, 2001 and 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
<u>2001:</u>			
Operating revenue	\$ 95,622	\$ 375	\$ 95,997
Operating expenses before depreciation	174,557	2,082	176,639
Depreciation	51	---	51
Operating loss	(78,986)	(1,707)	(80,693)
Operating grants	46,593	---	46,593
Net loss	(8,910)	(1,707)	(10,617)
Fixed asset additions	510	---	510
Net working capital	5,561	3,878	9,439
Total assets	30,761	3,878	34,639
Total liabilities	19,210	---	19,210
Total equity	11,551	3,878	15,429
 <u>2000:</u>			
Operating revenue	80,489	1,520	82,009
Operating expenses	164,577	---	164,577
Operating income (loss)	(84,088)	1,520	(82,568)
Operating grants	62,889	---	62,889
Net income (loss)	(4,910)	1,520	(3,390)
Net working capital	9,710	5,585	15,295
Total assets	39,802	5,585	45,387
Total liabilities	19,341	---	19,341
Total equity	20,461	5,585	26,046

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$63,168, \$57,888, \$50,017, and respectively; 46.00% has been contributed for fiscal year 2001, 31.95% for fiscal year 2000 and 100% fiscal year 1999. \$34,116, representing the unpaid contribution for fiscal year 2001, and \$39,390 for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$246,821, \$233,484, \$110,650, and respectively; 81.87% has been contributed for fiscal year 2001 82.26% for fiscal year 2000 and 100% for fiscal year 1999. \$44,752, representing the unpaid contribution for fiscal year 2001, and \$41,488 for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose social security or the SERS/STRS. As of June 30, 2001, three members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$79,335 and \$133,637 during fiscal years 2001 and 2000, respectively.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$48,501 and \$39,222 during the fiscal years 2001 and 2000, respectively.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).



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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the fiscal year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over/(Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<u>2001:</u>				
Budget basis	\$(568,026)	\$(61,115)	\$81,638	\$3,342,789
Net adjustment for revenue accruals	---	3,236	---	392
Net adjustment for expenditure accruals	(33,363)	(14,139)	---	(1)
Net adjustment for other financing sources (uses)	(3,538)	(3,235)	---	---
Encumbrances (budget basis)	<u>43,473</u>	<u>5,006</u>	<u>---</u>	<u>93,079</u>
GAAP basis	<u>\$(561,454)</u>	<u>\$(70,247)</u>	<u>\$81,638</u>	<u>\$3,436,259</u>
 <u>2000:</u>				
Budget basis	\$ 76,092	\$ 97,924	\$60,472	\$2,241,454
Net adjustment for revenue accruals	---	---	---	14,286
Net adjustment for expenditure accruals	(49,482)	11,596	---	---
Net adjustment for other financing sources (uses)	38,798	(38,798)	---	(106)
Encumbrances (budget basis)	<u>23,954</u>	<u>49,248</u>	<u>---</u>	<u>15,538</u>
GAAP basis	<u>\$ 89,362</u>	<u>\$119,970</u>	<u>\$60,472</u>	<u>\$2,271,172</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000 and June 30, 2001.

**B. Litigation**

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

**C. School Funding Decision**

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.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient.. The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal years ended June 30, 2001 and 2000, the reserve activity was as follows:

<u>2001:</u>	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$(10,807)	\$ 6,366	\$ 40,585
Current year set-aside requirement	72,769	72,769	---
Elimination of budget stabilization reserve	---	---	(40,585)
Qualifying disbursements	<u>(78,640)</u>	<u>(207,667)</u>	<u>---</u>
 Total	 <u>\$(16,678)</u>	 <u>\$(128,532)</u>	 <u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$(16,678)</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>2000:</u>	 <u>Textbooks</u>	 <u>Capital Acquisition</u>	 <u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 37,034	\$ 44,368	\$22,184
Current year set-aside requirement	55,204	55,204	18,401
Qualifying disbursements	<u>(103,045)</u>	<u>(93,206)</u>	<u>---</u>
 Total	 <u>\$ (10,807)</u>	 <u>\$ 6,366</u>	 <u>\$40,585</u>
Cash balance carried forward to FY 2001	<u>\$ (10,807)</u>	<u>\$ 6,366</u>	<u>\$40,585</u>

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not, by resolution, taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

**NOTE 17 - STATUTORY RESERVES - (Continued)**

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

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

A schedule of the restricted assets at June 30, 2001 and 2000 follows:

2001:

Amount restricted for school bus purchases	\$20,715
Amount restrict for BWC refunds	<u>22,184</u>
Total restricted assets	<u>\$42,899</u>

2000:

Amount restricted for school bus purchases	\$ 715
Amount restricted for budget stabilization	40,585
Amount restricted for capital acquisition	<u>6,366</u>
Total restricted assets	<u>\$47,666</u>



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Lowellville Local School District, Mahoning County (the District) as of and for the years ended June 30, 2001 and 2000, and have issued our report thereon dated June 15, 2004, which was qualified with regards to the District's fixed assets and related depreciation expense, outstanding encumbrances and/or unrecorded encumbrances and student activities due to insufficient evidential matter available to support these areas. Except for the above mentioned items, 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-001 and 2001-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated June 15, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lowellville Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-003 through 2001-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described, we consider items 2001-003 through 2001-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated June 15, 2004.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 15, 2004

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001 AND 2000**

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

**FINDING NUMBER 2001-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

The District did not certify funds in 81% of the expenditures tested for 2000 and in 34% of the expenditures tested for 2001. This lack of control over expenditures also undermines the District's budget because purchases are made without knowledge of cash balances left in particular line items or funds.

**FINDING NUMBER 2001-002**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds at June 30, 2001 and June 30, 2000:

Fund	Total Appropriations	Total Disbursements	Variance
<b>2001:</b>			
General	\$3,250,000	\$4,541,818	\$(1,291,818)
School Net	\$10,000	\$78,188	\$(68,188)
Debt Service	\$41,000	\$205,336	\$(164,336)
<b>2000:</b>			
General	\$0	\$3,220,780	\$(3,220,780)
Ohio Reads	\$0	\$69,196	\$(69,196)
Emergency School Building Repair	\$0	\$199,179	\$(199,179)
Title I	\$0	\$133,778	\$(133,778)
Debt Service	\$0	\$5,606	\$(5,606)
Classroom Facilities	\$0	\$16,703	\$(16,703)
Food Service	\$0	\$138,105	\$(138,105)

We recommend that the Treasurer monitor fund expenditures to ensure that they are within the established fund appropriations.

**FINDING NUMBER 2001-003**

**Material Weakness – Fixed Assets**

The District has not maintained documentation to support changes in fixed assets that should have been added or deleted to the General Fixed Asset Account Group and the Proprietary Fund.

The District had an inventory of all fixed assets completed in November 1998. However, since that time, the District has not maintained detailed fixed asset records reflecting its additions, deletions, depreciation and construction-in-progress.

We recommend that the District develop written policies and procedures to provide for the periodic reporting (at least annually) of acquisitions, disposals, and depreciation of the District's property, plant and equipment. These policies and procedures should also provide for a periodic physical inventory (e.g. annually or biennially) and reconciliation to the master fixed asset listing.

**FINDING NUMBER 2001-004**

**Material Weakness – Outstanding Encumbrances and/or Unrecorded Encumbrances**

The District's records for part of 2001 and all of 2000 were in disarray and many invoices were double paid or could not be located. Since checks were entered into the system with incorrect numbers, it was difficult to determine which bills were being paid. Consequently, the District had not maintained documentation to support outstanding encumbrances and/ or unrecorded encumbrances for all fund types as well as had not maintained reports relating to outstanding encumbrances for the years ended June 30, 2001 and 2000.

We recommend that the District maintain adequate documentation to substantiate outstanding encumbrances at year end by printing the Outstanding Encumbrance Report available on their computer system upon closing out each fiscal year.

**FINDING NUMBER 2001-005**

**Material Weakness – Student Activities**

The District had not maintained documentation to support the financial activities of the Student Activities in the Agency Fund for the years ended June 30, 2001 and 2000. During our review of student activities we noted the following deficiencies:

- A. The top portion of the Sales Project Potential forms either were not filled out or were partially completed but had not been approved. The top portion of the form has the following information: the organization name, the proposed sales project, the company and company address that the goods will be purchased from, a contact name, the quantity to be ordered, the cost per unit, the proposed sale price per unit, and the advisor's signature along with the Principal's and Superintendent's signature which indicates their approval. Information that was completed was the organization name, the proposed sales project, and the company and the company address. The bottom portion of the Sales Project Potential forms includes the following information to be completed: number of items purchased, price paid, total cost of items purchased, less returns, total amount to be accounted for, the total deposited with Treasurer, any quantity unaccounted for, and signatures of the Advisors, Principals, and the Superintendent. None of this information had been completed or approved for any of the proposed fund raisers;



**FINDING NUMBER 2001-005  
(Continued)**

- B. There was no evidence that independent checks were done by the Superintendent or the Building Principals on the work of the Student Activities Advisors or the Student Activities Coordinator.

To address the above deficiencies we recommend the District stipulate that each student activity group advisor complete the required forms. Cash proofs should be filled out by the advisors and turned in to the Treasurer's office every time money is remitted. Budgets should be completed and turned in prior to beginning fund raisers. The top portion of the Sales Project Potential forms should be finished before the fund raiser begins; and the bottom portion should be filled out after the fund raiser is completed and money is received. Advisors should be trained as to the purpose of each form and the importance of including the required information. Each of these forms should then be reviewed and approved by the Board, Treasurer, and the Superintendent as an independent check that the information is complete and reasonable. Advisors should ensure that all pertinent documents relative to a particular fund raiser are retained, such as approved price listings, documented sales incentive award program policies, spoilage, etc. Advisors should be informed of their responsibilities and training should be provided, if needed. The District should refer to the Auditor of State's document, *Guidelines for Developing Policies for Student Activity Programs*.

**FINDING NUMBER 2001-006**

**Reportable Condition – Credit Card Policy**

The District does not currently have a credit card policy regarding the proper use of the District's credit card(s).

We recommend that the District develop a credit card policy that includes permissible expenditures and addresses such areas as a dollar limit and/or percentage maximum for gratuities, whether in-town meals and/or out-of-town meals are permitted, whether the District will block purchases made from specific types of vendors, and a per purchase dollar limit as well as an overall credit limit be established for the District's credit card(s).

We also recommend that the District specify the types of supporting documentation that should be obtained for meals and lodging such as a cash register receipt, restaurant receipt, or hotel invoice. For out-of-town meals and lodging, documentation should be included that the individual was out-of-town on government business. For example, if the person is attending a seminar, the dates of the meals and lodging should correspond to the dates of attendance. Also, a list of attendees and the business purpose for the meals and lodging should be submitted to the Treasurer to document that the meal was for a proper public purpose of the District. For in-town meals, a detailed cash register receipt, restaurant receipt or a list of attendees at the meal and the business purpose of the meal must be provided to ensure that the meal was for a proper public purpose of the District. This information is usually provided on the back of the credit card slip submitted to the Treasurer.

We recommend for other purchases, a cash register receipt or invoice showing the good or service paid for by credit card be obtained in addition to providing the Treasurer with the credit card receipt.

For all credit card purchases, the Treasurer should ensure that the purchase made was for an item permitted by the District's credit card policy and was for a proper public purpose. If it was not, the Treasurer should seek reimbursement from the employee who made the purchase.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2001 AND 2000**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-11150-001	Twenty two percent of the transactions tested did not contain prior certification by the Treasurer. This is a violation of Ohio Revised Code § 5705.41(D).	No	Not Corrected. This was reissued as Finding number 2001-001
1999-11150-002	The District has not maintained documentation to support changes in fixed assets that should have been added or deleted to the General Fixed Asset Account Group and the Proprietary Fund.	No	Not Corrected. This was reissued as Finding number 2001-003



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**LOWELLVILLE LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 6, 2004**