



Mary Taylor, CPA
Auditor of State

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Austintown Local School District
Mahoning County
225 Idaho Road
Austintown, Ohio 44515

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Austintown Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with audit 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Austintown Local School District, Mahoning County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor
Auditor of State

April 20, 2007

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The discussion and analysis of Austintown Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$2,132,369. Net assets of governmental activities increased \$2,130,683, which represents a 45.99% increase from 2005. Net assets of business-type activities increased \$1,686 or 1.43% from 2005.
- General revenues accounted for \$41,417,485 in revenue or 88.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,362,768 or 11.46% of total revenues of \$46,780,253.
- The District had \$44,649,570 in expenses related to governmental activities; only \$5,362,768 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$41,417,485 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and building fund. The general fund had \$39,813,330 in revenues and other financing sources and \$37,920,358 in expenditures and other financing uses. The general fund's fund deficit balance decreased from \$3,725,460 to \$1,832,488.
- The District's other major governmental fund is the building fund. The building fund had \$803,307 in revenues and \$12,536,412 in expenditures. The building fund's fund balance decreased from \$23,774,215 to \$12,041,110.
- Net assets for the business-type activities, which are made up of the adult education and special enterprise funds, increased in 2006 by \$1,686. This increase in net assets was mainly due to adequate charges for services revenue to cover operating expenses in the special enterprise fund.

Using this Annual Financial Report

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

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current fund's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's special enterprise operations are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 23-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 28-55 of this report.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The District as a Whole

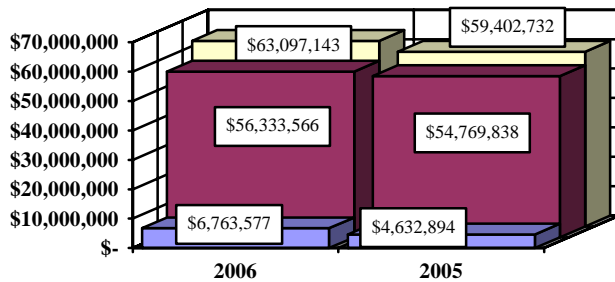
The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

Net Assets

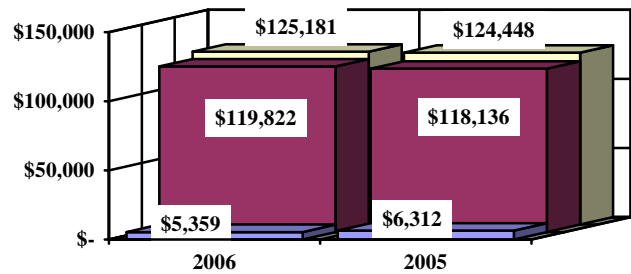
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 42,216,722	\$ 50,881,566	\$ 79,303	\$ 103,012	\$42,296,025	\$50,984,578
Capital assets	<u>20,880,421</u>	<u>8,521,166</u>	<u>45,878</u>	<u>21,436</u>	<u>20,926,299</u>	<u>8,542,602</u>
Total assets	<u>63,097,143</u>	<u>59,402,732</u>	<u>125,181</u>	<u>124,448</u>	<u>63,222,324</u>	<u>59,527,180</u>
Liabilities						
Current liabilities	27,472,375	25,505,955	5,359	6,312	27,477,734	25,512,267
Long-term liabilities	<u>28,861,191</u>	<u>29,263,883</u>	<u>-</u>	<u>-</u>	<u>28,861,191</u>	<u>29,263,883</u>
Total liabilities	<u>56,333,566</u>	<u>54,769,838</u>	<u>5,359</u>	<u>6,312</u>	<u>56,338,925</u>	<u>54,776,150</u>
Net Assets						
Invested in capital assets, net of related debt	5,585,792	5,710,633	45,878	21,436	5,631,670	5,732,069
Restricted	3,190,536	2,290,794	-	-	3,190,536	2,290,794
Unrestricted (deficit)	<u>(2,012,751)</u>	<u>(3,368,533)</u>	<u>73,944</u>	<u>96,700</u>	<u>(1,938,807)</u>	<u>(3,271,833)</u>
Total net assets	<u>\$ 6,763,577</u>	<u>\$ 4,632,894</u>	<u>\$ 119,822</u>	<u>\$ 118,136</u>	<u>\$ 6,883,399</u>	<u>\$ 4,751,030</u>

Governmental – Net Assets



■ Net Assets ■ Liabilities ■ Assets

Business-Type – Net Assets



■ Liabilities ■ Net Assets ■ Assets

AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)

The table below shows the changes in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 1,701,884	\$ 1,731,096	\$ 53,067	\$ 64,739	\$ 1,754,951	\$ 1,795,835
Operating grants and contributions	3,660,884	3,602,552	-	-	3,660,884	3,602,552
Capital grants and contributions	-	40,004	-	-	-	40,004
General revenues:						
Property taxes	18,942,787	19,047,249	-	-	18,942,787	19,047,249
Grants and entitlements	21,309,943	20,259,894	-	-	21,309,943	20,259,894
Investment earnings	928,050	718,729	-	-	928,050	718,729
Other	236,705	440,329	-	-	236,705	440,329
Total revenues	<u>46,780,253</u>	<u>45,839,853</u>	<u>53,067</u>	<u>64,739</u>	<u>46,833,320</u>	<u>45,904,592</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	19,907,422	20,398,344	-	-	19,907,422	20,398,344
Special	4,629,768	4,628,169	-	-	4,629,768	4,628,169
Vocational	231,132	294,317	-	-	231,132	294,317
Adult	31,691	-	-	-	31,691	-
Other	1,220,107	939,960	-	-	1,220,107	939,960
Support services:						
Pupil	2,517,249	2,551,070	-	-	2,517,249	2,551,070
Instructional staff	1,123,499	1,256,735	-	-	1,123,499	1,256,735
Board of Education	52,807	55,047	-	-	52,807	55,047
Administration	3,436,015	3,254,773	-	-	3,436,015	3,254,773
Fiscal	846,012	876,394	-	-	846,012	876,394
Business	4,519	2,856	-	-	4,519	2,856
Operations and maintenance	4,044,331	3,845,458	-	-	4,044,331	3,845,458
Pupil transportation	2,319,760	2,429,465	-	-	2,319,760	2,429,465
Central	2,282	1,599	-	-	2,282	1,599
Operation of non-instructional services:						
Food service operations	1,727,412	1,452,914	-	-	1,727,412	1,452,914
Other non-instructional services	42,651	100,797	-	-	42,651	100,797
Extracurricular activities	996,301	1,013,794	-	-	996,301	1,013,794
Intergovernmental	257,754	225,516	-	-	257,754	225,516
Interest and fiscal charges	1,258,858	1,285,299	-	-	1,258,858	1,285,299
Adult education	-	-	-	11,463	-	11,463
Special enterprise	-	-	51,381	39,904	51,381	39,904
Total expenses	<u>44,649,570</u>	<u>44,612,507</u>	<u>51,381</u>	<u>51,367</u>	<u>44,700,951</u>	<u>44,663,874</u>
Changes in net assets	2,130,683	1,227,346	1,686	13,372	2,132,369	1,240,718
Net assets at beginning of year	<u>4,632,894</u>	<u>3,405,548</u>	<u>118,136</u>	<u>104,764</u>	<u>4,751,030</u>	<u>3,510,312</u>
Net assets at end of year	<u>\$ 6,763,577</u>	<u>\$ 4,632,894</u>	<u>\$ 119,822</u>	<u>\$ 118,136</u>	<u>\$ 6,883,399</u>	<u>\$ 4,751,030</u>

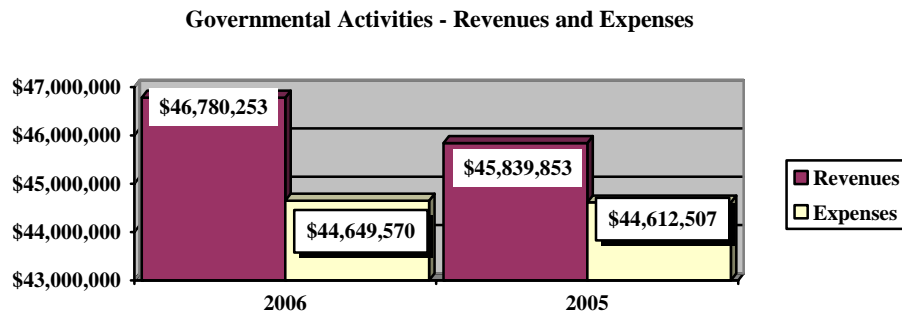
**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Governmental Activities

For fiscal year 2006, the net assets of the District's governmental activities increased \$2,130,683. Total governmental expenses of \$44,649,570 were offset by program revenues of \$5,362,768 and general revenues of \$41,417,485. Program revenues supported 12.01% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 86.05% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

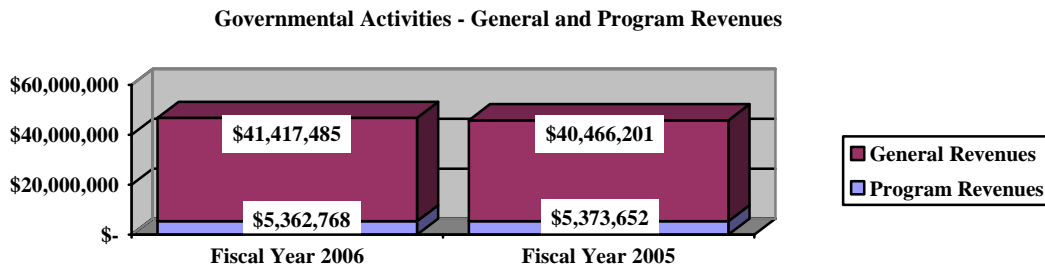
	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses:				
Instruction:				
Regular	\$ 19,907,422	\$ 19,287,340	\$ 20,398,344	\$ 19,632,274
Special	4,629,768	3,159,370	4,628,169	3,252,555
Vocational	231,132	231,132	294,317	294,317
Adult	31,691	324	-	-
Other	1,220,107	1,220,107	939,960	909,344

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
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	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Support services:				
Pupil	2,517,249	2,410,838	2,551,070	2,464,116
Instructional staff	1,123,499	911,874	1,256,735	1,041,375
Board of Education	52,807	52,807	55,047	55,047
Administration	3,436,015	2,964,566	3,254,773	3,049,416
Fiscal	846,012	842,679	876,394	612,406
Business	4,519	4,519	2,856	2,856
Operations and maintenance	4,044,331	4,044,331	3,845,458	3,844,374
Pupil transportation	2,319,760	2,290,325	2,429,465	2,422,817
Central	2,282	2,282	1,599	1,599
Operation of non-instructional services:				
Food service operations	1,727,412	706	1,452,914	(219,093)
Other operation of non-instructional services	42,651	(864)	100,797	16,357
Extracurricular activities	996,301	642,326	1,013,794	627,321
Intergovernmental	257,754	(36,718)	225,516	(53,525)
Interest and fiscal charges	1,258,858	1,258,858	1,285,299	1,285,299
Total expenses	<u>\$ 44,649,570</u>	<u>\$ 39,286,802</u>	<u>\$ 44,612,507</u>	<u>\$ 39,238,855</u>

The dependence upon tax revenues during fiscal year 2006 for governmental activities is apparent, as 91.86% of 2006 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.99%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



Business-Type Activities

Business-type activities include special enterprise operations. These programs had revenues of \$53,067 and expenses of \$51,381 for fiscal year 2006. The District's business activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$12,692,689, which is below last fund's total of \$22,114,374. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

	Fund Balance (Deficit) <u>June 30, 2006</u>	Fund Balance (Deficit) <u>June 30, 2005</u>	Increase/ (Decrease)
General	\$ (1,832,488)	\$ (3,725,460)	\$ 1,892,972
Building	12,041,110	23,774,215	(11,733,105)
Other Governmental	<u>2,484,067</u>	<u>2,065,619</u>	<u>418,448</u>
Total	<u>\$ 12,692,689</u>	<u>\$ 22,114,374</u>	<u>\$ (9,421,685)</u>

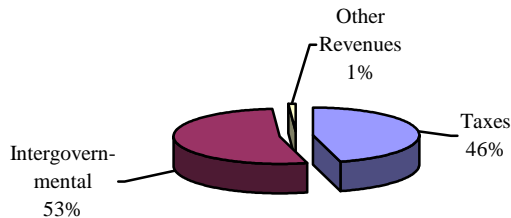
General Fund

The District's general fund deficit balance decreased by \$1,892,972, due to increasing revenues and decreasing expenditures during 2006. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

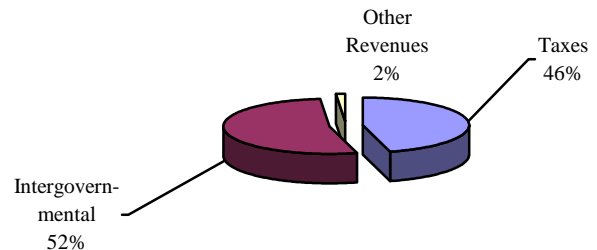
	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 18,246,469	\$ 17,482,434	\$ 764,035	4.37 %
Intergovernmental	21,131,836	20,077,649	1,054,187	5.25 %
Other revenues	<u>433,431</u>	<u>579,734</u>	<u>(146,303)</u>	<u>(25.24) %</u>
Total	<u>\$ 39,811,736</u>	<u>\$ 38,139,817</u>	<u>\$ 1,671,919</u>	4.38 %

Tax revenue increased by \$764,035 or 4.37 % from fiscal 2005 due to the collection of a greater amount of delinquent taxes. Intergovernmental revenue increased \$1,054,187 or 5.25% from the prior year. This increase is attributed to an increase in the number of grants the district received in 2006. Other revenues decreased \$146,303 or 25.24% due to a decrease in tuition revenue and a decrease in other local revenues.

Revenues – Fiscal Year 2006



Revenues – Fiscal Year 2005



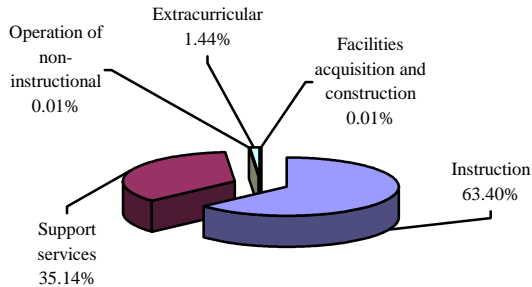
**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table that follows assists in illustrating the expenditures of the general fund.

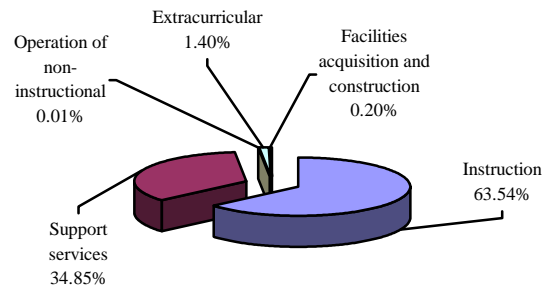
	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 23,991,035	\$ 24,179,412	\$ (188,377)	(0.78) %
Support services	13,295,593	13,261,795	33,798	0.25 %
Operation of non-instructional services	3,194	3,565	(371)	(10.41) %
Extracurricular activities	544,400	534,036	10,364	1.94 %
Facilities acquisition and construction	<u>2,129</u>	<u>74,590</u>	<u>(72,461)</u>	<u>(97.15) %</u>
Total	<u>\$ 37,836,351</u>	<u>\$ 38,053,398</u>	<u>\$ (217,047)</u>	<u>(0.57) %</u>

One of the most significant decreases was in the area of facilities acquisition and construction. Facilities acquisition and construction expenditures decreased due to the majority of capital spending by the District came from the building fund. The largest expenditure line item, instruction, decreased by \$188,377 or 0.78%, which is primarily attributed to a decrease in the compensated absences liability.

Expenditures – Fiscal Year 2006



Expenditures – Fiscal Year 2005



Building Fund

The building fund had \$803,307 in revenues and \$12,536,412 in expenditures. The building fund's fund balance decreased from \$23,774,215 to \$12,041,110.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget numerous times, none significant. The District uses budgeting systems to tightly control local budgets but provide flexibility for management.

For the general fund, final budgeted revenues and other financing sources were \$39,863,778, which was increased from the original budgeted revenues and other financing sources estimate of \$38,659,334. Actual revenues and other financing sources for fiscal 2006 were \$39,872,551. This represents a \$8,773 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,150,199 were decreased to \$39,044,188 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$38,924,472, which was \$119,716 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

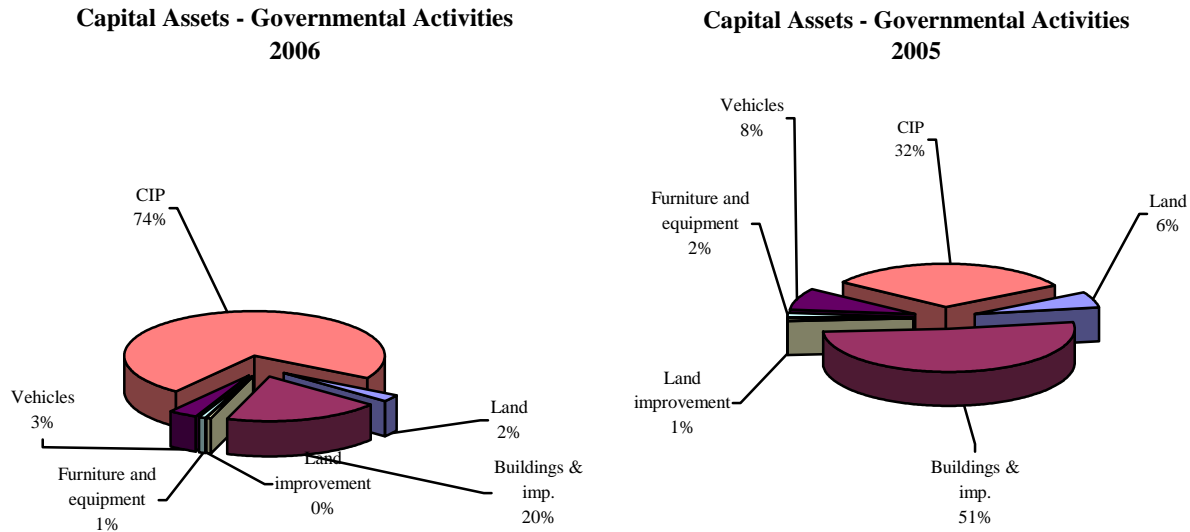
At the end of fiscal 2006, the District had \$20,926,299 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress (CIP). Of this total, \$20,880,421 was reported in governmental activities and \$45,878 was reported in business-type activities. The following table shows fiscal 2006 balances compared to 2005:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 502,026	\$ 502,026	\$ -	\$ -	\$ 502,026	\$ 502,026
Land improvements	103,598	89,327	-	-	103,598	89,327
Building and improvements	4,075,607	4,378,638	-	-	4,075,607	4,378,638
Furniture and equipment	204,511	151,014	45,878	21,436	250,389	172,450
Vehicles	726,184	667,523	-	-	726,184	667,523
Construction in progress	<u>15,268,495</u>	<u>2,732,638</u>	<u>-</u>	<u>-</u>	<u>15,268,495</u>	<u>2,732,638</u>
Total	<u>\$ 20,880,421</u>	<u>\$ 8,521,166</u>	<u>\$ 45,878</u>	<u>\$ 21,436</u>	<u>\$ 20,926,299</u>	<u>\$8,542,602</u>

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The following graphs show the breakdown of governmental activities capital assets by category for 2006 and 2005.



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

Debt Administration

At June 30, 2006 the District had \$25,260,240 in an asbestos abatement loan and general obligation bonds outstanding. Of this total, \$465,123 is due within one year and \$24,795,117 is due within greater than one year. The following table summarizes the bonds and loan outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
Asbestos abatement loan	\$ 138,180	\$ 163,303
General obligation bonds	<u>25,122,060</u>	<u>25,430,483</u>
Total	<u>\$ 25,260,240</u>	<u>\$ 25,593,786</u>

The District issued an asbestos abatement loan to provide energy improvements to various District buildings. The asbestos abatement loan is interest free. The asbestos abatement loan matures on May 30, 2012.

During fiscal 2004, the District issued \$26,000,000 in current interest and capital appreciation bonds. The bonds bear an annual interest rate of 2.00% - 5.13% and mature on December 1, 2030.

At June 30, 2006 the District's overall legal debt margin was \$31,648,470 with an unvoted debt margin of \$623,759. See Note 9 to the basic financial statements for more detail on the District's long-term obligations.

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Current Financial Related Activities

In May, 2006, the residents of Austintown showed their support by passing the renewal of two five year operating levies. The 4.9 and 7.3 mill levies generate approximately \$5.2 million annually. This passage will allow the District to continue to operate its educational programs and look to the future.

The District has received a Blue Ribbon State Award of a Performance Audit to be conducted by the State of Ohio Auditor's Office free of charge. The Performance Audit will include an in-depth analysis of the financial, human resources, transportation, building /maintenance and technology areas. This report along with a curriculum audit to be completed in 2006, will be the starting point of a strategic plan. By involving the community in the planning process the district will gain insight on what direction to take for additional funding. The strategic plan should be completed by the summer of 2007 and will lead into the November election when action could be taken in the form of a levy.

The passage of Amended Substitute House Bill 66 brings about several challenges to the District. House Bill 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroad property. Tangible personal property taxes will be phased out from 2006 through 2008, with the tax being eliminated by January 1, 2009. The State will make compensating distributions to school districts from revenue generated by the new commercial activities (CAT) tax, which is being phased in over a five year period. The compensating payments will be based on the value of tangible personal property reported for 2004 in the school district and the property tax levies in effect for 2005 (as long as the levy was approved by the voters before September 2005). The State will make full reimbursements at these base levels through 2010, with gradual reductions in the reimbursement from 2011 through 2018 for school districts. The District stands to lose over \$2 million by the year 2010 with the phasing out of tangible personal property taxes. In addition, House Bill 66 terminates the 10 percent real property tax rollback and related State rollback payments for commercial and industrial real property tax used in business (except for farming and or certain housing uses) effective for tax year 2005.

The District passed a 2.9 mill levy in November 2003 to build a new middle school. The cost of the project is \$26,000,000. The new middle school building will house grades 6-8. This will allow for realignment that will include moving 4th grade from the elementary schools. The elementary schools will then house grades K-3, and the District will be able to implement all day everyday kindergarten. The new building will be ready for students for the 2006-07 school year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Barbara Kliner, Treasurer, Austintown Local School District, 225 Idaho Road, Youngstown, Ohio 44515.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 7,878,561	\$ 79,303	\$ 7,957,864
Investments.	10,935,400	-	10,935,400
Receivables:			
Taxes	21,917,780	-	21,917,780
Accounts	24,437	-	24,437
Accrued interest	52,954	-	52,954
Intergovernmental	1,023,727	-	1,023,727
Prepayments	45,537	-	45,537
Materials and supplies inventory	33,347	-	33,347
Unamortized bond issue costs	304,979	-	304,979
Capital assets:			
Land and construction in progress	15,770,521	-	15,770,521
Depreciable capital assets, net	5,109,900	45,878	5,155,778
Capital assets, net.	<u>20,880,421</u>	<u>45,878</u>	<u>20,926,299</u>
Total assets.	<u>63,097,143</u>	<u>125,181</u>	<u>63,222,324</u>
Liabilities:			
Accounts payable.	192,276	-	192,276
Contracts payable	929,408	-	929,408
Accrued wages and benefits	4,072,967	4,509	4,077,476
Pension obligation payable.	935,109	702	935,811
Intergovernmental payable	170,679	148	170,827
Deferred revenue	20,365,941	-	20,365,941
Accrued interest payable	94,433	-	94,433
Claims payable.	451,562	-	451,562
Deposits payable.	260,000	-	260,000
Long-term liabilities:			
Due within one year.	961,226	-	961,226
Due within more than one year	27,899,965	-	27,899,965
Total liabilities	<u>56,333,566</u>	<u>5,359</u>	<u>56,338,925</u>
Net Assets:			
Invested in capital assets, net of related debt.	5,585,792	45,878	5,631,670
Restricted for:			
Capital projects	1,979,091	-	1,979,091
Debt service.	660,631	-	660,631
Locally funded programs	7,173	-	7,173
State funded programs	190,013	-	190,013
Federally funded programs	291,203	-	291,203
Student activities	62,425	-	62,425
Unrestricted (deficit)	<u>(2,012,751)</u>	<u>73,944</u>	<u>(1,938,807)</u>
Total net assets	<u>\$ 6,763,577</u>	<u>\$ 119,822</u>	<u>\$ 6,883,399</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
Instruction:			
Regular	\$ 19,907,422	\$ 97,459	\$ 522,623
Special	4,629,768	-	1,470,398
Vocational	231,132	-	-
Adult.	31,691	-	31,367
Other	1,220,107	-	-
Support services:			
Pupil.	2,517,249	5,903	100,508
Instructional staff.	1,123,499	-	211,625
Board of education	52,807	-	-
Administration.	3,436,015	268,504	202,945
Fiscal.	846,012	3,333	-
Business.	4,519	-	-
Operations and maintenance	4,044,331	-	-
Pupil transportation	2,319,760	-	29,435
Central	2,282	-	-
Operation of non-instructional services:			
Food service operations	1,727,412	963,959	762,747
Other non-instructional services	42,651	-	43,515
Extracurricular activities.	996,301	351,400	2,575
Intergovernmental	257,754	11,326	283,146
Interest and fiscal charges	1,258,858	-	-
Total governmental activities	44,649,570	1,701,884	3,660,884
Business-type activities:			
Special enterprise	51,381	53,067	-
Totals	\$ 44,700,951	\$ 1,754,951	\$ 3,660,884

General Revenues:	
Property taxes levied for:	
General purposes
Debt service.
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (19,287,340)	\$ -	\$ (19,287,340)
(3,159,370)	-	(3,159,370)
(231,132)	-	(231,132)
(324)	-	(324)
(1,220,107)	-	(1,220,107)
(2,410,838)	-	(2,410,838)
(911,874)	-	(911,874)
(52,807)	-	(52,807)
(2,964,566)	-	(2,964,566)
(842,679)	-	(842,679)
(4,519)	-	(4,519)
(4,044,331)	-	(4,044,331)
(2,290,325)	-	(2,290,325)
(2,282)	-	(2,282)
(706)	-	(706)
864	-	864
(642,326)	-	(642,326)
36,718	-	36,718
(1,258,858)	-	(1,258,858)
(39,286,802)	-	(39,286,802)
-	1,686	1,686
(39,286,802)	1,686	(39,285,116)
17,364,641	-	17,364,641
1,578,146	-	1,578,146
21,309,943	-	21,309,943
928,050	-	928,050
236,705	-	236,705
41,417,485	-	41,417,485
2,130,683	1,686	2,132,369
4,632,894	118,136	4,751,030
<u>\$ 6,763,577</u>	<u>\$ 119,822</u>	<u>\$ 6,883,399</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,263,206	\$ 2,002,385	\$ 2,612,970	\$ 7,878,561
Investments.	-	10,935,400	-	10,935,400
Receivables:				
Taxes.	20,182,932	-	1,734,848	21,917,780
Accounts	18,657	-	5,780	24,437
Accrued interest	-	52,954	-	52,954
Intergovernmental	451,562	-	572,165	1,023,727
Due from other funds.	8,927	-	-	8,927
Prepayments	45,537	-	-	45,537
Materials and supplies inventory	-	-	33,347	33,347
Total assets	<u>\$ 23,970,821</u>	<u>\$ 12,990,739</u>	<u>\$ 4,959,110</u>	<u>\$ 41,920,670</u>
Liabilities:				
Accounts payable	\$ 64,114	\$ -	\$ 128,162	\$ 192,276
Contracts payable	-	929,408	-	929,408
Accrued wages and benefits	3,803,089	-	269,878	4,072,967
Compensated absences payable	265,871	-	3,736	269,607
Pension obligation payable.	882,814	-	52,295	935,109
Intergovernmental payable.	152,927	555	17,197	170,679
Claims payable.	451,562	-	-	451,562
Due to other funds.	-	-	8,927	8,927
Deposits payable.	-	-	260,000	260,000
Deferred revenue.	20,182,932	19,666	1,734,848	21,937,446
Total liabilities	<u>25,803,309</u>	<u>949,629</u>	<u>2,475,043</u>	<u>29,227,981</u>
Fund Balances:				
Reserved for encumbrances	285,835	7,132,828	506,020	7,924,683
Reserved for materials and supplies inventory.	-	-	33,347	33,347
Reserved for prepayments	45,537	-	-	45,537
Reserved for debt service.	-	-	632,232	632,232
Unreserved, undesignated (deficit), reported in:				
General fund	(2,163,860)	-	-	(2,163,860)
Special revenue funds.	-	-	550,602	550,602
Capital projects funds.	-	4,908,282	761,866	5,670,148
Total fund balances (deficit)	<u>(1,832,488)</u>	<u>12,041,110</u>	<u>2,484,067</u>	<u>12,692,689</u>
Total liabilities and fund balances	<u>\$ 23,970,821</u>	<u>\$ 12,990,739</u>	<u>\$ 4,959,110</u>	<u>\$ 41,920,670</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	12,692,689
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			20,880,421
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	1,551,839	
Accrued interest		<u>19,666</u>	
Total			1,571,505
Unamortized premiums on bond issuance is not recognized in the funds.			(313,414)
Unamortized bond issuance costs are not recognized in the funds.			304,979
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(94,433)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		3,017,930	
General obligation bonds		25,122,060	
Asbestos loan		<u>138,180</u>	
Total			<u>(28,278,170)</u>
Net assets of governmental activities		\$	<u><u>6,763,577</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 18,246,469	\$ -	\$ 1,604,576	\$ 19,851,045
Tuition.	9,027	-	-	9,027
Charges for services.	398	-	963,561	963,959
Earnings on investments.	158,386	803,307	18,214	979,907
Extracurricular.	4,219	-	611,828	616,047
Classroom materials and fees	67,695	-	390	68,085
Other local revenues.	193,706	-	92,798	286,504
Intergovernmental - Intermediate.	-	-	9,315	9,315
Intergovernmental - State	21,131,836	-	802,756	21,934,592
Intergovernmental - Federal.	-	-	3,137,053	3,137,053
Total revenue	<u>39,811,736</u>	<u>803,307</u>	<u>7,240,491</u>	<u>47,855,534</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,165,255	-	593,413	19,758,668
Special.	3,351,450	-	1,331,015	4,682,465
Vocational.	254,223	-	-	254,223
Adult.	-	-	31,691	31,691
Other	1,220,107	-	-	1,220,107
Support Services:				
Pupil.	2,412,487	-	130,833	2,543,320
Instructional staff	897,264	-	211,384	1,108,648
Board of education	52,807	-	-	52,807
Administration.	2,797,772	-	524,381	3,322,153
Fiscal	852,175	-	-	852,175
Business	4,519	-	-	4,519
Operations and maintenance.	4,002,233	-	-	4,002,233
Pupil transportation	2,274,054	-	29,133	2,303,187
Central.	2,282	-	-	2,282
Operation of non-instructional services:				
Food service operations	-	-	1,710,817	1,710,817
Other non-instructional services	3,194	-	39,397	42,591
Extracurricular activities.	544,400	-	454,858	999,258
Facilities acquisition and construction	2,129	12,536,412	-	12,538,541
Intergovernmental pass through	-	-	257,754	257,754
Debt service:				
Principal retirement	-	-	415,123	415,123
Interest and fiscal charges	-	-	1,178,030	1,178,030
Total expenditures	<u>37,836,351</u>	<u>12,536,412</u>	<u>6,907,829</u>	<u>57,280,592</u>
Excess of revenues over (under) expenditures	<u>1,975,385</u>	<u>(11,733,105)</u>	<u>332,662</u>	<u>(9,425,058)</u>
Other financing sources (uses):				
Transfers in.	-	-	84,007	84,007
Transfers (out)	(84,007)	-	-	(84,007)
Sale of capital assets.	1,594	-	-	1,594
Total other financing sources (uses)	<u>(82,413)</u>	<u>-</u>	<u>84,007</u>	<u>1,594</u>
Net change in fund balances	1,892,972	(11,733,105)	416,669	(9,423,464)
Fund balances (deficit) at				
beginning of year.	(3,725,460)	23,774,215	2,065,619	22,114,374
Increase in reserve for inventory	-	-	1,779	1,779
Fund balances (deficit) at end of year	<u>\$ (1,832,488)</u>	<u>\$ 12,041,110</u>	<u>\$ 2,484,067</u>	<u>\$ 12,692,689</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ (9,423,464)

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

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

Capital asset additions	\$ 12,890,794	
Current year depreciation	(531,539)	
Total		12,359,255

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

Taxes	(908,258)	
Intergovernmental revenue	(116,760)	
Accrued interest	(51,857)	
Total		(1,076,875)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.

Accrued interest	404	
Accreted interest on capital appreciation bonds	(81,577)	
Bond premium	12,836	
Bond issuance costs	(12,491)	
Total		(80,828)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

1,779

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

415,123

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

(64,307)

Change in net assets of governmental activities \$ 2,130,683

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 17,695,123	\$ 18,246,469	\$ 18,246,469	\$ -
Tuition	8,790	9,064	9,077	13
Charges for services	386	398	398	-
Earnings on investments.	145,468	150,000	158,386	8,386
Extracurricular.	4,082	4,209	4,219	10
Classroom materials and fees	65,488	67,528	67,876	348
Other local revenues.	210,591	217,153	217,169	16
Intergovernmental - State	20,493,404	21,131,836	21,131,836	-
Total revenue	<u>38,623,332</u>	<u>39,826,657</u>	<u>39,835,430</u>	<u>8,773</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,364,203	19,311,768	19,218,486	93,282
Special.	3,374,724	3,365,586	3,364,827	759
Vocational.	296,841	296,037	293,909	2,128
Other	1,223,814	1,220,500	1,220,107	393
Support services:				
Pupil.	2,424,027	2,417,463	2,413,284	4,179
Instructional staff	943,015	940,462	938,144	2,318
Board of education	81,368	81,148	80,990	158
Administration.	3,012,453	3,004,296	3,003,640	656
Fiscal	863,673	861,334	860,809	525
Business	4,612	4,600	4,519	81
Operations and maintenance.	4,149,560	4,138,324	4,134,267	4,057
Pupil transportation	2,354,271	2,347,896	2,342,832	5,064
Central.	414,171	413,050	412,985	65
Operation of non-instructional services	3,382	3,372	3,318	54
Extracurricular activities.	550,206	548,716	542,719	5,997
Facilities acquisition and construction.	5,644	5,629	5,629	-
Total expenditures	<u>39,065,964</u>	<u>38,960,181</u>	<u>38,840,465</u>	<u>119,716</u>
Excess of revenues over (under) expenditures.	<u>(442,632)</u>	<u>866,476</u>	<u>994,965</u>	<u>128,489</u>
Other financing sources (uses):				
Refund of prior year expenditure	34,453	35,527	35,527	-
Transfers (out)	(84,235)	(84,007)	(84,007)	-
Sale of capital assets.	1,546	1,594	1,594	-
Total other financing sources (uses)	<u>(48,236)</u>	<u>(46,886)</u>	<u>(46,886)</u>	<u>-</u>
Net change in fund balance	(490,868)	819,590	948,079	128,489
Fund balance at beginning of year.	1,571,161	1,571,161	1,571,161	-
Prior year encumbrances appropriated	416,107	416,107	416,107	-
Fund balance at end of year	<u>\$ 1,496,400</u>	<u>\$ 2,806,858</u>	<u>\$ 2,935,347</u>	<u>\$ 128,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 79,303
Total current assets	<u>79,303</u>
Noncurrent assets:	
Capital assets, net.	<u>45,878</u>
Total assets	<u>125,181</u>
Liabilities:	
Accrued wages and benefits	4,509
Pension obligation payable.	702
Intergovernmental payable	<u>148</u>
Total liabilities	<u>5,359</u>
Net assets:	
Invested in capital assets	45,878
Unrestricted.	<u>73,944</u>
Total net assets	<u>\$ 119,822</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Tuition and fees	\$ 52,851
Sales/charges for services	216
Total operating revenues	<u>53,067</u>
 Operating expenses:	
Personal services.	28,041
Contractual services	2,194
Materials and supplies	16,520
Depreciation	4,626
Total operating expenses	<u>51,381</u>
 Change in net assets.	 1,686
 Net assets at beginning of year	 <u>118,136</u>
Net assets at end of year	<u><u>\$ 119,822</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from tuition and fees.	\$ 52,851
Cash received from sales/charges for services.	216
Cash payments for personal services	(28,994)
Cash payments for contractual services	(2,194)
Cash payments for materials and supplies.	<u>(16,520)</u>
 Net cash provided by operating activities	 <u>5,359</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(29,068)</u>
 Net cash used in capital and related financing activities.	 <u>(29,068)</u>
 Net decrease in cash and cash equivalents	 (23,709)
 Cash and cash equivalents at beginning of year. . .	 <u>103,012</u>
Cash and cash equivalents at end of year	<u>\$ 79,303</u>
 Reconciliation of operating income to net cash provided in operating activities:	
Operating income	\$ 1,686
Adjustments:	
Depreciation	4,626
Changes in assets and liabilities:	
Decrease in accrued wages and benefits.	(954)
Increase in intergovernmental payable.	<u>1</u>
 Net cash provided by operating activities	 <u>\$ 5,359</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 35,426	\$ 69,389
Receivables:		
Accounts	-	596
Total assets	35,426	\$ 69,985
Liabilities:		
Accounts payable	-	\$ 2,801
Due to other governments	-	29,479
Due to students	-	37,705
Total liabilities	-	\$ 69,985
Net Assets:		
Held in trust for scholarships	35,426	
Total net assets	\$ 35,426	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,400
Gifts and contributions.	6,600
	8,000
Total additions.	8,000
Deductions:	
Scholarships awarded	6,250
	1,750
Change in net assets	1,750
Net assets at beginning of year.	33,676
Net assets at end of year	\$ 35,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Austintown Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the "Board") which provides educational services.

The District is the 68th largest in the State of Ohio (among 615 public school districts) in terms of total enrollment. The District is staffed by 260 non-certificated and 350 certificated personnel to provide services to approximately 5,102 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activity and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District also has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector guidance. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". When applying GASB Statement No. 14 and GASB Statement No. 39, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship with the District:

Federal League Athletic Association

The District is fiscal agent for the Federal League Athletic Association (Association). The District is responsible for receiving and disbursing funds at the direction of the Association. This entity is legally separate from the District. The District is fiscal agent and custodian for the Association, but is not accountable; therefore, the operations of the Association have been included as an agency fund in the District's basic financial statements. The funds invested on behalf of the Association have been included in the basic financial statements as "Equity in Pooled Cash and Cash Equivalents".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. The members have an ongoing financial interest in ACCESS, however, they do not have an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, 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.

PUBLIC ENTITY RISK POOLS

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen 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 were generated from charges for services and remitted to the fiscal agent Austintown Local School District, until the District withdrew as fiscal agent during fiscal year 2006. Springfield Local School District is the fiscal agent as of June 30, 2006. 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. The District officially left the consortium on July 1, 2006 and joined the Stark County School Council of Governments Health Benefit Plan.

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council 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 on the Board of Directors. The assembly exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

Building Fund - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Special Enterprise and Adult Education enterprise funds are tuition and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as donated commodities revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15, the Superintendent and Treasury 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 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 as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2006.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end (not already recorded in accounts payable) are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

F. 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 Equivalents" on the financial statements.

During fiscal year 2006, investments consisted of Federal Agency securities, a U.S. government money market fund and repurchase agreements. Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as repurchase agreements are reported at cost.

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 2006 amounted to \$158,386, which includes \$70,153 assigned from other District funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

G. Inventory

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

Inventories consist of donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$4,000 for its capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10 - 45 years	N/A
Building/improvements	10 - 50 years	N/A
Furniture/equipment	5 - 15 years	5 - 15 years
Vehicles	6 - 8 years	N/A
Textbooks	5 years	N/A

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District has no internal balances at June 30, 2006.

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, debt service and prepayments.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

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

O. Parochial Schools

Within the District boundaries, Immaculate Heart of Mary, St. Anne, and St. Joseph Schools are operated through the Youngstown Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

P. Estimates

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are tuition for adult education classes, summer school and the community center. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

R. Capital Contributions

Capital contributions in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The District had no capital contributions during fiscal 2006.

S. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Fund</u>	
General	\$ 1,832,488
<u>Nonmajor Governmental Funds</u>	
Education Management Information Systems	231
Entry Year Programs	25
Adult Basic Education	1,162
Improving Teacher Quality	859

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**AUSTINTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$874,890, exclusive of the \$5,309,127 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$705,130 of the District's bank balance of \$934,609 was exposed to custodial risk as discussed below, while \$229,479 was covered by Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHMA	\$ 7,955,800	\$ 6,966,200	\$ 989,600
FHLB	994,800	994,800	-
FFCB	1,984,800	1,984,800	-
Repurchase Agreements	5,309,127	5,309,127	-
U.S. Government money market mutual funds	1,878,662	1,878,662	-
	<u>\$ 18,123,189</u>	<u>\$ 17,133,589</u>	<u>\$ 989,600</u>

The weighted average maturity of investments is .15 years.

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

Credit Risk: The District's investments, except for the repurchase agreements as discussed above were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FNMA	\$ 7,955,800	43.90%
FHLB	994,800	5.49%
FFCB	1,984,800	10.95%
Repurchase Agreements	5,309,127	29.29%
U.S. Government money market mutual fund	<u>1,878,662</u>	<u>10.37%</u>
	<u>\$ 18,123,189</u>	<u>100.00%</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 874,890
Investments	<u>18,123,189</u>
Total	<u>\$ 18,998,079</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 18,813,961
Business type activities	79,303
Private-purpose trust funds	35,426
Agency funds	<u>69,389</u>
Total	<u>\$ 18,998,079</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	<u>Amount</u>
General fund	\$ 84,007

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- B.** Interfund balances for the year ended June 30, 2006, consisted of the following due to/from other funds, as reported on the fund financial statements:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 8,927	\$ -
<u>Nonmajor Governmental Funds:</u>		
Other Grant	-	8,927
Total	<u>\$ 8,927</u>	<u>\$ 8,927</u>

The primary purpose of due to/from other funds is to cover a negative cash balance in a respective fund. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There were no tax advances available to the District at June 30, 2006.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second		2006 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 503,307,470	89.00	\$ 573,111,310	91.88
Public Utility Personal	14,660,530	8.41	13,839,970	2.22
Tangible Personal Property	<u>47,559,910</u>	<u>2.59</u>	<u>36,807,590</u>	<u>5.90</u>
Total	<u>\$ 565,527,910</u>	<u>100.00</u>	<u>\$ 623,758,870</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation

Operations:	\$54.60	\$56.70
Debt Service:	2.90	2.90

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. During fiscal year 2006, the District left the Mahoning County School Employees Insurance Consortium. The Consortium will fully reimburse the District for run-off claims paid in July, August and September 2006. The intergovernmental receivable in the general fund of \$451,562 represents the reimbursement, and is included on the Statement of Net Assets. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes - current and delinquent	\$ 21,917,780
Accounts	24,437
Accrued interest	52,954
Intergovernmental	<u>1,023,727</u>
Total receivables	<u>\$ 23,018,898</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>6/30/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/06</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 502,026	\$ -	\$ -	\$ 502,026
Construction in progress	<u>2,732,638</u>	<u>12,535,857</u>	<u>-</u>	<u>15,268,495</u>
Total capital assets, not being depreciated	<u>3,234,664</u>	<u>12,535,857</u>	<u>-</u>	<u>15,770,521</u>
Capital assets, being depreciated:				
Land improvements	303,988	30,900	-	334,888
Building/improvements	14,367,462	-	-	14,367,462
Furniture/equipment	1,332,627	95,973	-	1,428,600
Vehicles	3,374,181	228,064	(172,623)	3,429,622
Textbooks	<u>1,857,154</u>	<u>-</u>	<u>-</u>	<u>1,857,154</u>
Total capital assets, being depreciated	<u>21,235,412</u>	<u>354,937</u>	<u>(172,623)</u>	<u>21,417,726</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(214,661)	(16,629)	-	(231,290)
Building/improvements	(9,988,824)	(303,031)	-	(10,291,855)
Furniture/equipment	(1,181,613)	(42,476)	-	(1,224,089)
Vehicles	(2,706,658)	(169,403)	172,623	(2,703,438)
Textbooks	<u>(1,857,154)</u>	<u>-</u>	<u>-</u>	<u>(1,857,154)</u>
Total accumulated depreciation	<u>(15,948,910)</u>	<u>(531,539)</u>	<u>172,623</u>	<u>(16,307,826)</u>
Governmental activities capital assets, net	<u>\$ 8,521,166</u>	<u>\$ 12,359,255</u>	<u>\$ -</u>	<u>\$ 20,880,421</u>
Business-Type Activities				
Capital assets, being depreciated:				
Furniture/equipment	\$ 31,740	\$ 29,068	\$ -	\$ 60,808
Less: accumulated depreciation	<u>(10,304)</u>	<u>(4,626)</u>	<u>-</u>	<u>(14,930)</u>
Total	<u>\$ 21,436</u>	<u>\$ 24,442</u>	<u>\$ -</u>	<u>\$ 45,878</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS - (Continued)

<u>Instruction:</u>	<u>Amount</u>
Regular	\$ 228,980
Special	35,019
Vocational	9,579
 <u>Support Services:</u>	
Pupil	9,899
Instructional staff	11,961
Administration	14,906
Fiscal	529
Operations and maintenance of plant	20,619
Pupil transportation	157,690
Food service operations	14,414
Extracurricular activities	<u>27,943</u>
Total depreciation expense	<u><u>\$ 531,539</u></u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The District has an asbestos loan to provide for energy improvements to various District buildings. The primary source of repayment of this obligation is through energy savings as a result of the improvements. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

The following is a description of the District's asbestos loan outstanding as of June 30, 2006:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding 6/30/05</u>	<u>Issued in 2006</u>	<u>Retired in 2006</u>	<u>Outstanding 6/30/06</u>
Asbestos loan	0.00%	12/01/93	05/30/12	\$ 163,303	\$ -	\$ (25,123)	\$ 138,180
Total				<u>\$ 163,303</u>	<u>\$ -</u>	<u>\$ (25,123)</u>	<u>\$ 138,180</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the asbestos loan:

<u>Fiscal Year Ending</u>	<u>Principal on Loan</u>	<u>Interest on Loan</u>	<u>Total</u>
2007	\$ 25,123	\$ -	\$ 25,123
2008	25,123	-	25,123
2009	25,123	-	25,123
2010	25,123	-	25,123
2011	25,123	-	25,123
2012	<u>12,565</u>	<u>-</u>	<u>12,565</u>
Total	<u>\$ 138,180</u>	<u>\$ -</u>	<u>\$ 138,180</u>

- B.** During fiscal year 2004, the District issued \$26,000,000 in general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$25,065,000, and capital appreciation bonds, par value \$935,000. The interest rates on the current interest bonds range from 2.00% to 5.13%. The capital appreciation bonds mature on December 1, 2011 (effective interest 7.895%), December 1, 2012 (effective interest rate 8.071%), and December 1, 2013 (effective interest rate 7.915%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2006, was \$1,092,060. A total of \$157,060 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

The following is a schedule of activity for fiscal 2006 on the general obligation bonds:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/06</u>
Current interest bonds	\$ 24,420,000	\$ -	\$ (390,000)	\$ 24,030,000
Capital appreciation bonds	<u>1,010,483</u>	<u>81,577</u>	<u>-</u>	<u>1,092,060</u>
Total G.O. bonds	<u>\$ 25,430,483</u>	<u>\$ 81,577</u>	<u>\$ (390,000)</u>	<u>\$ 25,122,060</u>

The following is a summary of the future debt service requirements to maturity for the general obligation bonds:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 440,000	\$ 1,142,062	\$ 1,582,062	\$ -	\$ -	\$ -
2008	450,000	1,131,257	1,581,257	-	-	-
2009	465,000	1,118,207	1,583,207	-	-	-
2010	525,000	1,102,570	1,627,570	-	-	-
2011	545,000	1,084,234	1,629,234	-	-	-
2012 - 2016	1,335,000	4,443,569	5,778,569	935,000	875,000	1,810,000
2017 - 2021	4,415,000	4,596,782	9,011,782	-	-	-
2022 - 2026	6,545,000	3,241,345	9,786,345	-	-	-
2027 - 2031	9,310,000	1,259,754	10,569,754	-	-	-
Total	<u>\$ 24,030,000</u>	<u>\$ 19,119,780</u>	<u>\$ 43,149,780</u>	<u>\$ 935,000</u>	<u>\$ 875,000</u>	<u>\$ 1,810,000</u>

C. The changes in the District's long-term obligations during the year consist of the following:

	Balance 6/30/05	Additions	Reductions	Balance 6/30/06	Amounts Due in One Year
Governmental Activities					
Compensated absences payable	\$ 3,343,847	\$ 562,304	\$ (618,614)	\$ 3,287,537	\$ 496,103
Loans payable	163,303	-	(25,123)	138,180	25,123
G.O. Bonds payable	25,430,483	81,577	(390,000)	25,122,060	440,000
Total governmental activities long-term liabilities	<u>\$28,937,633</u>	<u>\$ 643,881</u>	<u>\$ (1,033,737)</u>	<u>\$ 28,547,777</u>	<u>\$ 961,226</u>
Add: Unamortized premium on bond issue				313,414	
Total on statement of net assets				<u>\$ 28,861,191</u>	

Compensated absences will be paid from the fund from which the employee is paid.

D. 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, 2006 are a voted debt margin of \$31,648,470 (including available funds of \$632,232) and an unvoted debt margin of \$623,759.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 10 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Teachers and some Administrators do not earn vacation time. Administrators, Clerical, Technical, and Maintenance and Operations employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Unused vacation is not cumulative to the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro-rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 168 days and ten percent of remaining days for certified employees and classified employees.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2006, the District contracted with Indiana Insurance for property, commercial inland marine, musical instruments, EDP equipment, boiler and machinery, and commercial crime insurance with a \$500 deductible.

General commercial liability is protected by the Indiana Insurance with a \$1,000,000 single occurrence, \$2,000,000 aggregated and no deductible. Vehicles are covered by Indiana Insurance and have a \$1,000 deductible for comprehensive and collision. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage and there has not been a significant reduction in coverage from the prior year.

B. Employee Health Benefits

The District has contracted with Stark County Schools Council of Governments (a shared risk pool) (Note 2) to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 93% of medical/surgical premiums for certified and administrative employees and 96.5% for classified employees. Employees are responsible for the remaining 7% and 3.5% respectively.

The dental coverage is administered by Medical Mutual of Ohio; a third party administrator. The District pays 100% of dental premiums.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance. The Directors have the right to hold monies for an exiting district subsequent to the settlement of all expenses and claims.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$585,920, \$582,811, \$488,678; 49.12 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$298,120 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 12 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,646,448, \$2,524,707 and \$2,479,285; 84.07 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$421,467 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$12,620 made by the District and \$26,546 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$203,573 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$276,791 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent 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 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 948,079
Net adjustment for revenue accruals	(23,694)
Net adjustment for expenditure accruals	667,328
Net adjustment for other sources/uses	(35,527)
Adjustment for encumbrances	<u>336,786</u>
GAAP basis	<u>\$ 1,892,972</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (1,964,430)	\$ -
Current year set-aside requirement	729,049	729,049
Qualifying disbursements	<u>(1,274,187)</u>	<u>(12,911,491)</u>
Total	<u>\$ (2,509,568)</u>	<u>\$ (12,182,442)</u>
Balance carried forward to FY 2007	<u>\$ (2,509,568)</u>	<u>\$ -</u>

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AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education.</i>						
Food Distribution Program		10.550		\$166,851		\$166,851
Nutrition Cluster:						
21st Century Grant - CACFP	048298-LUCP-2006	10.558	11,705		11,705	
National School Lunch Program	048298-LLP4-2006	10.555	489,679		489,679	
National School Breakfast Program	048298-05PU-2006	10.553	74,796		74,796	
Total Nutrition Cluster			576,180		576,180	
Total U.S. Department of Agriculture			576,180	166,851	576,180	166,851
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education.</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	048298-6BSD-2005-P	84.027	739		10,027	
	048298-6BSF-2005-P	84.027	116,760		205,170	
Exceptional Child Grant	048298-6BSF-2006-P	84.027	853,419		803,211	
Total Special Education Cluster			970,918		1,018,408	
Adult Education- State Grant Program	048298-ABS1-2006	84.002	40,935		40,935	
Grants to Local Educational Agencies (ESEA Title I)	048298-C1S1-2005	84.010			27,894	
	048298-C1S1-2006	84.010	460,998		441,813	
Total Grants to Local Educational Agencies			460,998		469,707	
Innovative Educational Program Strategies	048298-C2S1-2005	84.298			3,099	
	048298-C2S1-2006	84.298	15,637		13,963	
Total Innovative Educational Program Strategies			15,637		17,062	
Title II-D Technology Literacy Challenge Fund Grant	048298-TJS1-2005	84.318			10,957	
	048298-TJS1-2006	84.318	10,323		9,551	
Total Title II-D Technology Literacy Challenge Fund Grant			10,323		20,508	
Drug-Free Schools Grant	048298-DRS1-2005	84.186			6,298	
	048298-DRS1-2006	84.186	22,742		18,398	
Total Drug Free Schools Grant			22,742		24,696	
21st Century Grant	048298-T1S1-2005	84.287	-		43,903	
	048298-T1S1-2006	84.287	247,553		253,599	
Total 21st Century Grant			247,553		297,502	
Title II-A Improving Teacher Quality	048298-TRS1-2005	84.367			5,965	
	048298-TRS1-2006	84.367	187,452		186,543	
Total Title II-A Improving Teacher Quality			187,452		192,508	
Total Department of Education			1,956,558		2,081,326	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	Ohio Dept of MR/DD	93.778	29,702		35,994	
	Ohio Dept of MR/DD	93.778	29,702		8,209	
Total Medical Assistance Program			59,404		44,203	
Totals			\$2,592,142	\$166,851	\$2,701,709	\$166,851

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2006**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State Grants. It is assumed federal monies are expended first. At June 30, 2006, the District had no significant food commodities in inventory.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Austintown Local School District
Mahoning County
225 Idaho Road
Austintown, Ohio 44515

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Austintown Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 20, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

Austintown Local School District
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

April 20, 2007



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Austintown Local School District
Mahoning County
225 Idaho Rd
Austintown, Ohio 44515

To the Board of Education:

Compliance

We have audited the compliance of the Austintown Local School District, Mahoning County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. Austintown Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Austintown Local School District's management. Our responsibility is to express an opinion on Austintown Local School District's compliance based on our audit.

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

In our opinion, Austintown Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Austintown Local School District's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 20, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**AUSTINTOWN LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Title VI-B/84.027 Title II-A/84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	
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None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	
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None



Mary Taylor, CPA
Auditor of State

AUSTINTOWN 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
MAY 31, 2007**