



Mary Taylor, CPA
Auditor of State

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2008, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, the District was declared to be in fiscal emergency on December 18, 2003 under criteria established by Ohio Revised Code Section 3316.03 B(5). The District is experiencing certain financial difficulties. Management's plans in regard to this matter are also discussed in Note 18.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2009, 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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures 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 also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 10, 2009

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

The management's discussion and analysis of the District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$1,729,177 which represents a 3.34% increase from 2007.
- General revenues accounted for \$20,642,954 in revenue or 70.75% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,533,059 or 29.25% of total revenues of \$29,176,013.
- The District had \$27,446,836 in expenses related to governmental activities; \$8,533,059 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 \$20,642,954 were adequate to provide for these programs.
- The District's major governmental funds include the general fund and the classroom facilities fund. The general fund had \$21,951,324 in revenues and \$20,927,604 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$1,023,720 from a deficit of \$44,381 to \$979,339.
- The classroom facilities fund had \$14,294,210 in revenues and \$11,363,795 in expenditures and other financing uses. During fiscal year 2008, the classroom facilities fund's fund balance increased by \$2,930,415 from \$10,915,017 to \$13,845,432.

Using these Basic Financial Statements

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 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 or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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 23-52 of this report.

The District as a Whole

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

The District restated net assets as detailed in Note 3.B. The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities <u>2008</u>	Restated Governmental Activities <u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 51,782,623	\$ 57,373,649
Capital assets, net	<u>16,915,637</u>	<u>9,260,247</u>
Total assets	<u>68,698,260</u>	<u>66,633,896</u>
<u>Liabilities</u>		
Current liabilities	7,310,191	6,701,611
Long-term liabilities	<u>7,938,053</u>	<u>8,211,446</u>
Total liabilities	<u>15,248,244</u>	<u>14,913,057</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	16,773,853	9,050,812
Restricted	34,339,174	43,533,524
Unrestricted (Deficit)	<u>2,336,989</u>	<u>(863,497)</u>
Total net assets	<u>\$ 53,450,016</u>	<u>\$ 51,720,839</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$53,450,016. Of this total, \$2,336,989 is unrestricted in use.

At year-end, capital assets represented 24.62% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$16,773,853. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

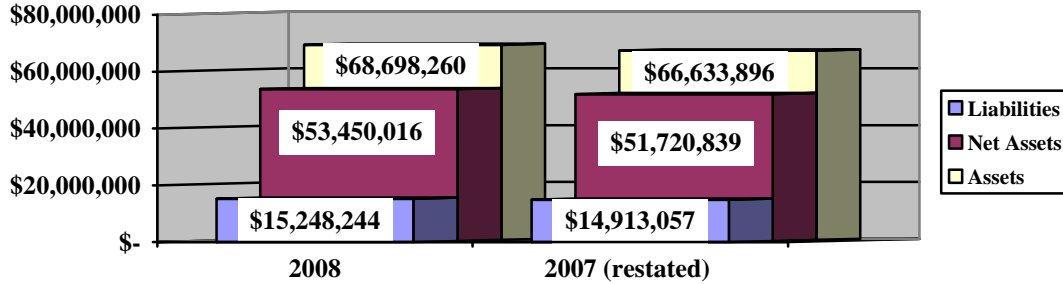
A portion of the District's net assets, \$34,339,174, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,336,989 may be used to meet the District's ongoing obligations to the students and creditors.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

The graph below illustrates the District's assets, liabilities, and net assets at June 30, 2008 and 2007.

Governmental Activities



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

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 977,648	\$ 1,046,264
Operating grants and contributions	6,930,299	4,881,361
Capital grants and contributions	625,112	32,484
General revenues:		
Property taxes	4,878,729	4,816,439
Grants and entitlements	15,449,782	17,692,701
Investment earnings	252,302	620,848
Other	62,141	160,835
Total revenues	<u>29,176,013</u>	<u>29,250,932</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Change in Net Assets

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 13,508,613	\$ 13,842,800
Special	2,462,953	2,547,184
Vocational	756,264	977,879
Adult education	7,499	9,468
Other	91,282	-
Support services:		
Pupil	1,010,533	992,769
Instructional staff	1,212,869	1,057,571
Board of education	300,791	350,555
Administration	1,411,521	1,360,034
Fiscal	527,744	476,725
Business	96,455	284,928
Operations and maintenance	3,539,444	2,127,219
Pupil transportation	1,004,282	967,475
Central	21,300	18,484
Food service operations	965,930	1,010,714
Operations of non-instructional services	155,708	186,751
Extracurricular activities	359,392	462,748
Interest and fiscal charges	14,256	41,281
Total expenses	<u>27,446,836</u>	<u>26,714,585</u>
Change in net assets	1,729,177	2,536,347
Net assets at beginning of year (restated)	<u>51,720,839</u>	<u>49,184,492</u>
Net assets at end of year	<u>\$ 53,450,016</u>	<u>\$ 51,720,839</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,729,177. Total governmental expenses of \$27,446,836 were offset by program revenues of \$8,533,059 and general revenues of \$20,642,954. Program revenues supported 31.09% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 69.68% of total governmental revenue.

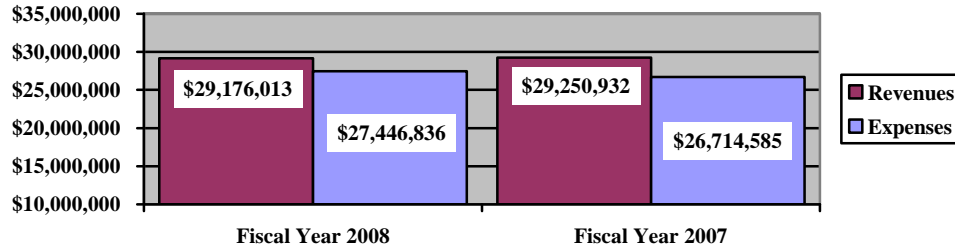
The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,826,611 or 61.31% of total governmental expenses for fiscal year 2008.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



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

	Governmental Activities			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$ 13,508,613	\$ 10,466,875	\$ 13,842,800	\$ 10,969,372
Special	2,462,953	771,189	2,547,184	2,292,535
Vocational	756,264	411,298	977,879	864,225
Adult education	7,499	4,856	9,468	9,185
Other	91,282	3,584	-	-
Support services:				
Pupil	1,010,533	697,768	992,769	746,488
Instructional staff	1,212,869	492,003	1,057,571	324,056
Board of education	300,791	300,791	350,555	340,107
Administration	1,411,521	1,213,509	1,360,034	1,107,815
Fiscal	527,744	506,276	476,725	440,009
Business	96,455	96,455	284,928	276,538
Operations and maintenance	3,539,444	2,915,232	2,127,219	2,063,499
Pupil transportation	1,004,282	916,530	967,475	898,878
Central	21,300	20,940	18,484	18,079
Food service operations	965,930	(147,621)	1,010,714	45,185
Operations of non-instructional services	155,708	(6,518)	186,751	18,447
Extracurricular activities	359,392	236,354	462,748	298,777
Interest and fiscal charges	14,256	14,256	41,281	41,281
Total expenses	<u>\$ 27,446,836</u>	<u>\$ 18,913,777</u>	<u>\$ 26,714,585</u>	<u>\$ 20,754,476</u>

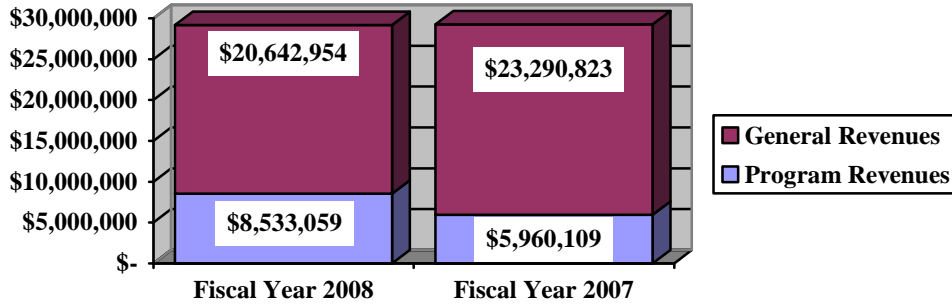
The dependence upon tax and other general revenues for governmental activities is apparent, 69.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 68.91%.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$18,942,014, which is higher than last year's total of \$12,173,235. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance (Deficit) June 30, 2007	Increase	Percentage Change
General	\$ 979,339	\$ (44,381)	\$ 1,023,720	2,306.66 %
Classroom Facilities	13,845,432	10,915,017	2,930,415	26.85 %
Other Governmental	4,117,243	1,302,599	2,814,644	216.08
Total	\$ 18,942,014	\$ 12,173,235	\$ 6,768,779	55.60 %

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

General Fund

The District's general fund balance increased \$1,023,720. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,768,263	\$ 4,127,397	\$ (359,134)	(8.70) %
Tuition	559,059	689,882	(130,823)	(18.96) %
Earnings on investments	190,295	179,491	10,804	6.02 %
Intergovernmental	17,318,193	17,302,227	15,966	0.09 %
Other revenues	<u>115,514</u>	<u>153,793</u>	<u>(38,279)</u>	<u>(24.89) %</u>
Total	<u>\$ 21,951,324</u>	<u>\$ 22,452,790</u>	<u>\$ (501,466)</u>	<u>(2.23) %</u>
<u>Expenditures</u>				
Instruction	\$ 13,786,827	\$ 14,520,489	\$ (733,662)	(5.05) %
Support services	6,681,136	6,452,864	228,272	3.54 %
Non-instructional services	3,026	3,708	(682)	(18.39) %
Extracurricular activities	168,498	206,735	(38,237)	(18.50) %
Facilities acquisition and construction	75,794	-	75,794	100.00 %
Debt service	<u>49,694</u>	<u>189,960</u>	<u>(140,266)</u>	<u>(73.84) %</u>
Total	<u>\$ 20,764,975</u>	<u>\$ 21,373,756</u>	<u>\$ (608,781)</u>	<u>(2.85) %</u>

The District's continued participation in open enrollment resulted in a decrease in tuition revenues of \$130,823, or 18.96% from 2007. The increase in earnings on investments of 6.02% is a result of increased interest rates on investments held by the District. Debt service expenditures decreased due to the completion of capital lease payments in 2007.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$22,041,761 and final budgeted revenues and other financing sources were \$21,949,273. Actual revenues and other financing sources for fiscal year 2008 was \$22,746,988. This represents a \$705,227 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$22,001,533 were increased \$972,405 to \$22,973,938 in the final budget. The actual budget basis expenditures for fiscal year 2008 totaled \$21,527,068, which was a decrease of \$1,446,870 from final budget appropriations.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets as described in Note 3.B. At the end of fiscal year 2008, the District had \$16,915,637 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	Restated 2007
Land	\$ 42,269	\$ 42,269
Land improvements	1,060,638	1,150,083
Building and improvements	9,159,252	1,278,964
Furniture and equipment	1,653,581	1,833,726
Vehicles	259,700	329,968
Construction in progress	4,740,197	4,625,237
Total	\$ 16,915,637	\$ 9,260,247

The increase in capital assets was a result of additions of \$8,365,688, current year depreciation expense of \$702,348 and net disposals of \$7,950. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$6,064,028 in school improvement bonds and \$141,784 in lease obligations outstanding. Of this total, \$449,331 is due within one year and \$5,756,481 is due in greater than one year. The following table summarizes the bonds, loans and leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2008	2007
School improvement bonds	\$ 6,064,028	\$ 6,473,021
Energy conservation loan	-	25,940
Lease obligations	141,784	183,495
Total	\$ 6,205,812	\$ 6,682,456

At June 30, 2008, the District's overall legal debt margin was \$11,575,908, and an unvoted debt margin of \$190,305. See Note 10 to the basic financial statements for additional information on the District's debt administration.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Current Financial Related Activities

The goal of the District continues to be to maintain the highest standards of service to our students, parents and community. In keeping with its mission statement the Board of Education has adopted a Comprehensive Continuous School Improvement Plan through which the District intends to satisfy the rigorous requirements of the No Child Left Behind Act of 2001. The District continues to strive to bring about improvements that have resulted in achieving a Department of Education school district designation of continuous improvement from a late 1990's designation of academic emergency. The goal remains to narrow the gap between the highest and lowest achieving students through greater academic achievement leading to total academic success.

The mission of the District is to ensure that all student of the community reach their fullest potential by using the best physical and human resources in partnership with family and community. In order to meet the goals and mission stated above, it is imperative that the District's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet student needs during the upcoming years.

The District is always presented with challenges and opportunities. National recessionary trends have impacted the local economy and by extension the District negatively continuing a several decade long trend of decline in what were once primary industries. Additionally, there is little growth of new or additional industry in the immediate and county-wide area.

The financial future of the District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the District must look to increased reliance on local property taxes to fund its operations as State sourced revenue, already the major source of operational revenue, is expected to provide little if any growth in the foreseeable future. At the same time, the District does not foresee any sustainable growth in revenue from property taxes due to slow economic growth. Management must diligently monitor and adjust where necessary planned expenses to fit within projected revenues in order to maintain solvency in its five-year forecast (fiscal year 2009 through 2013).

Externally, the District is largely dependent on State funding sources (approximately 77 percent of the District's operating funds were projected to result from State foundation revenue, homestead and rollback reimbursement and other entitlements in fiscal year 2008). State foundation revenue is fundamentally a function of student enrollment and school district property tax wealth. The District has seen a trending decline in student enrollment in recent years and, while the revenue growth in state funding has shifted toward school districts with low property tax wealth, local declining enrollment has served to offset any overall meaningful increase in State funding. With the budgetary difficulties being experienced by the State, the District does not anticipate any meaningful growth in State revenue during the forecast period.

The District was placed under fiscal caution by the Department of Education in April 2003, fiscal watch on September 29, 2003 and then fiscal emergency on December 18, 2003. In response to a projected deficit of \$2.6 million, a state solvency assistance loan was approved and funds were received in that amount prior to June 30, 2004 to eliminate a projected deficit. An additional solvency assistance loan was approved and funds in the amount of \$201,000 were received prior to June 30, 2005 to eliminate a projected cash deficit. As evident in recent five - year financial forecasts, significant progress has been made towards regaining fiscal solvency and the removal of the District from fiscal emergency status.

The necessity of repaying the solvency assistance loans over a three year time period that began in fiscal year 2005 and concluded in fiscal year 2007 required the development of multiple deficit reduction plans that would preserve the foundation of the District's curricular, co-curricular, and extra-curricular programs while at the same time reduce expenditures in light of declining enrollment. The impact of those plans is mirrored by a noticeable decline in the number of teaching, support staff and administrative positions that continued on through the end of the 2008 school year.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Although the District had hoped that modest increases in State per-pupil funding contained in the fiscal year 2006 and fiscal year 2007 biennial budget would help buy the District a little time before it faced the prospect of additional budget reductions, much of the positive impact of the higher per-pupil funding amounts have been offset by other negative financial factors that occurred this past year (several examples of which are decreasing funded enrollment resulting from net open enrollment out of the District and the increasing presence of on-line school opportunity and increasing insurance costs). In the long run, the fact is that as long as the State avoids the complete systematic overhaul in school funding ordered by the Supreme Court in a ruling over a decade ago, all schools in Ohio will be faced with ever increasing reliance upon tax revenues generated from the local taxpayer or, in the absence of those revenues, decreasing expenditures through budgetary adjustments.

As the District moved towards the 2009 school year, it remains clear that the District is at a financial and operational crossroad. Financially, with 70 percent of the District's budget driven by personnel and benefit costs and largely required services projected to absorb another 22 percent of the District's budget, revenue enhancements, spending reductions (affecting staffing levels) or a combination thereof remain needed for the long term financial health of the District. The District's plans in the past and projected into the future have largely focused on spending restraint.

Operationally, the District maintains four educational facilities (two elementary buildings, one joint elementary and middle school, and one high school) as well as an administration building and a bus garage. The majority of these facilities were constructed in excess of thirty years ago and continue in need of renovation and in several cases increased classroom space to meet the needs of current instructional methods. At the same time, financial pressures resulting from declining enrollment have resulted in a reduction in the number of buildings in operation in order to generate operational savings. Recognition has been given that the closing of any school facility is never easy and often alienates a segment of the community.

With approval by voters of a 3.2 mill bond issue in May 2002, the District and the Ohio School Facility Commission entered into an agreement in March 2003 for facilities renovations, additions, and improvements to existing buildings. Under the original project agreement, the State was to have provided \$51,982,022 or 87.0 percent of total project funding and the District was to have provided \$7,769,000 or 13.0 percent of total project funding sourced from proceeds of the above mentioned bond issue. The total project budget was to have been \$59,751,022.

With a significant modification to enrollment projections, the original project agreement was amended in June 2005 to reflect a reduction in the project. The State is to provide \$44,746,918 or 87.0 percent of total project funding and the District is to provide \$6,687,674 or 13.0 percent of project funding. The total project budget was reduced to \$51,434,592.

In addition, a modest maintenance levy, approved by the voters along with the facilities issue, offers the potential of helping to maintain school district buildings and provide needed technology. The facilities program offers its residents better educational opportunities for its youth and represents a positive development in the community. As of June 30, 2007, the facilities program had progressed to the construction and renovation phase at North Elementary. In March 2008, North Elementary returned to service. As of June 30, 2008, contracts had been approved for the renovation of the East Liverpool High School and bids for the renovation of LaCroft Elementary were expected to be received with the next several months.

Contacting the District's Financial Management

The financial report and discussion is designed to provide our students, residents, taxpayers, investors and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. Should you have any question about this report or desire additional financial information, please write the District Treasurer at 500 Maryland Avenue, East Liverpool, Ohio 43920 or telephone (330) 385-7132.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 14,223,317
Investments	7,675,400
Receivables:	
Taxes	5,265,156
Accounts	2,861
Intergovernmental	24,375,570
Accrued interest	99,184
Prepayments	31,209
Materials and supplies inventory	55,419
Unamortized bond issuance costs	54,507
Capital assets:	
Land.	42,269
Construction in progress	4,740,197
Depreciable capital assets, net.	12,133,171
Total capital assets, net	16,915,637
 Total assets.	 68,698,260
 Liabilities:	
Accounts payable.	368,594
Contracts payable.	181,469
Accrued wages and benefits	2,030,422
Pension obligation payable.	434,248
Intergovernmental payable.	123,033
Unearned revenue	4,172,425
Long-term liabilities:	
Due within one year.	677,522
Due in more than one year	7,260,531
 Total liabilities	 15,248,244
 Net Assets:	
Invested in capital assets	16,773,853
Restricted for:	
Capital projects	32,569,275
Debt service	567,129
Locally funded programs.	5,200
State funded programs.	291,363
Federally funded programs.	45,316
Student activities.	38,462
Other purposes	822,429
Unrestricted	2,336,989
 Total net assets	 \$ 53,450,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 13,508,613	\$ 593,411	\$ 2,448,327	\$ -	\$ (10,466,875)
Special	2,462,953	10,816	1,680,948	-	(771,189)
Vocational	756,264	-	344,966	-	(411,298)
Adult/continuing	7,499	-	2,643	-	(4,856)
Other	91,282	-	87,698	-	(3,584)
Support services:					
Pupil.	1,010,533	-	312,765	-	(697,768)
Instructional staff	1,212,869	-	720,866	-	(492,003)
Board of education.	300,791	-	-	-	(300,791)
Administration.	1,411,521	52,515	145,497	-	(1,213,509)
Fiscal	527,744	-	21,468	-	(506,276)
Business.	96,455	-	-	-	(96,455)
Operations and maintenance	3,539,444	8,205	2,155	613,852	(2,915,232)
Pupil transportation	1,004,282	-	76,492	11,260	(916,530)
Central	21,300	-	360	-	(20,940)
Operation of non-instructional:					
Non-instructional services.	155,708	-	162,226	-	6,518
Food service operations	965,930	194,067	919,484	-	147,621
Extracurricular activities	359,392	118,634	4,404	-	(236,354)
Interest and fiscal charges	<u>14,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,256)</u>
Total governmental activities	<u>\$ 27,446,836</u>	<u>\$ 977,648</u>	<u>\$ 6,930,299</u>	<u>\$ 625,112</u>	<u>(18,913,777)</u>

General Revenues:

Property taxes levied for:	
General purposes	4,509,485
Special revenue	73,764
Debt service.	295,480
Grants and entitlements not restricted	
to specific programs	15,449,782
Investment earnings	252,302
Miscellaneous	<u>62,141</u>
Total general revenues.	<u>20,642,954</u>
Change in net assets	1,729,177
Net assets at beginning of year (restated) . .	<u>51,720,839</u>
Net assets at end of year.	<u>\$ 53,450,016</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,160,905	\$ 6,399,136	\$ 4,612,991	\$ 14,173,032
Investments	-	7,675,400	-	7,675,400
Receivables:				
Taxes	4,889,301	-	375,855	5,265,156
Accounts	2,861	-	-	2,861
Intergovernmental	6,509	24,198,210	170,851	24,375,570
Accrued interest	-	99,184	-	99,184
Interfund loans	131,630	-	-	131,630
Prepayments	30,794	-	415	31,209
Materials and supplies	26,258	-	29,161	55,419
Restricted assets:				
Equity in pooled cash and cash equivalents	50,285	-	-	50,285
Total assets	<u>\$ 8,298,543</u>	<u>\$ 38,371,930</u>	<u>\$ 5,189,273</u>	<u>\$ 51,859,746</u>
Liabilities:				
Accounts payable	\$ 261,370	\$ 62,145	\$ 45,079	\$ 368,594
Contracts payable	-	171,374	10,095	181,469
Accrued wages and benefits	1,617,401	-	412,197	2,029,598
Compensated absences payable	116,173	-	2,018	118,191
Early retirement incentives payable	110,000	-	-	110,000
Pension obligation payable	355,007	-	79,241	434,248
Intergovernmental payable	98,219	-	25,638	123,857
Interfund loans payable	-	-	131,630	131,630
Deferred revenue	885,152	24,292,979	69,589	25,247,720
Unearned revenue	3,875,882	-	296,543	4,172,425
Total liabilities	<u>7,319,204</u>	<u>24,526,498</u>	<u>1,072,030</u>	<u>32,917,732</u>
Fund Balances:				
Reserved for encumbrances	325,242	775,786	213,385	1,314,413
Reserved for materials and supplies inventory	26,258	-	29,161	55,419
Reserved for property tax unavailable for appropriation	128,267	-	10,549	138,816
Reserved for debt service	-	-	504,090	504,090
Reserved for prepayments	30,794	-	415	31,209
Reserved for bus purchase	50,285	-	-	50,285
Unreserved, undesignated, reported in:				
General fund	418,493	-	-	418,493
Special revenue funds	-	-	3,359,643	3,359,643
Capital projects funds	-	13,069,646	-	13,069,646
Total fund balance	<u>979,339</u>	<u>13,845,432</u>	<u>4,117,243</u>	<u>18,942,014</u>
Total liabilities and fund balances	<u>\$ 8,298,543</u>	<u>\$ 38,371,930</u>	<u>\$ 5,189,273</u>	<u>\$ 51,859,746</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

Total governmental fund balances		\$	18,942,014
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,915,637
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	953,915	
Interest receivable		94,769	
Intergovernmental receivable		24,199,036	
Total		25,247,720	25,247,720
Unamortized bond issuance costs are not recognized in the funds.			54,507
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		6,064,028	
Compensated absences payable		1,459,050	
Early retirement incentives payable		45,000	
Capital lease obligation payable		141,784	
Total		(7,709,862)	(7,709,862)
Net assets of governmental activities		\$	53,450,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes	\$ 3,768,263	\$ -	\$ 312,861	\$ 4,081,124
Tuition.	559,059	-	-	559,059
Transproation fees	43,218	-	-	43,218
Charges for services.	-	-	193,717	193,717
Earnings on investments.	190,295	453,967	127,175	771,437
Extracurricular.	-	-	147,650	147,650
Classroom materials and fees	1,950	-	-	1,950
Other local revenues	70,346	-	44,106	114,452
Intergovernmental - Intermediate	6,483	-	548	7,031
Intergovernmental - State	17,311,710	13,800,859	1,794,857	32,907,426
Intergovernmental - Federal.	-	-	3,539,468	3,539,468
Total revenues.	<u>21,951,324</u>	<u>14,254,826</u>	<u>6,160,382</u>	<u>42,366,532</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,808,635	-	2,234,263	13,042,898
Special.	2,218,394	-	254,495	2,472,889
Vocational.	755,156	-	87,235	842,391
Adult/Continuing	4,642	-	2,857	7,499
Other	-	-	76,912	76,912
Support Services:				
Pupil.	728,951	-	292,892	1,021,843
Instructional staff	494,256	-	746,715	1,240,971
Board of education	300,791	-	-	300,791
Administration.	1,162,548	-	197,401	1,359,949
Fiscal	497,576	-	33,523	531,099
Business	55,394	607	-	56,001
Operations and maintenance.	2,499,670	739,970	95,092	3,334,732
Pupil transportation	941,950	-	11,992	953,942
Central.	-	-	2,833	2,833
Operation of non-instructional services:				
Other non-instructional services	3,026	-	151,453	154,479
Food service operations	-	-	959,747	959,747
Extracurricular activities	168,498	-	181,069	349,567
Facilities acquisition and construction	75,794	8,179,258	149,315	8,404,367
Debt service:				
Principal retirement	41,711	-	434,933	476,644
Interest and fiscal charges	7,983	-	216	8,199
Total expenditures	<u>20,764,975</u>	<u>8,919,835</u>	<u>5,912,943</u>	<u>35,597,753</u>
Excess of revenues over expenditures.	<u>1,186,349</u>	<u>5,334,991</u>	<u>247,439</u>	<u>6,768,779</u>
Other financing sources (uses):				
Transfers in.	-	39,384	2,567,205	2,606,589
Transfers (out)	(162,629)	(2,443,960)	-	(2,606,589)
Total other financing sources (uses).	<u>(162,629)</u>	<u>(2,404,576)</u>	<u>2,567,205</u>	<u>-</u>
Net change in fund balances	1,023,720	2,930,415	2,814,644	6,768,779
Fund balance (deficit) at beginning of year	<u>(44,381)</u>	<u>10,915,017</u>	<u>1,302,599</u>	<u>12,173,235</u>
Fund balance at end of year	<u>\$ 979,339</u>	<u>\$ 13,845,432</u>	<u>\$ 4,117,243</u>	<u>\$ 18,942,014</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 6,768,779

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

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

Capital asset additions	\$	8,365,688	
Current year depreciation		(702,348)	
Total			7,663,340

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net assets. (7,950)

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

Taxes		797,605	
Interest		94,769	
Intergovernmental		(14,082,893)	
Total			(13,190,519)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. 476,644

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expenses when due. Additional interest is reported on the statement of activities due to the following item:

Amortization of bond issuance costs		(6,057)	
Total			(6,057)

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 24,940

Change in net assets of governmental activities \$ 1,729,177

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,045,675	\$ 4,028,709	\$ 4,175,041	\$ 146,332
Tuition.	542,161	539,887	559,497	19,610
Transportation fees.	40,301	40,132	41,590	1,458
Earnings on investments.	184,399	183,625	190,295	6,670
Classroom materials and fees	1,890	1,882	1,950	68
Other local revenues.	58,238	57,994	60,100	2,106
Intergovernmental - Intermediate.	6,282	6,256	6,483	227
Intergovernmental - State	16,768,989	16,698,666	17,305,201	606,535
Total revenues.	<u>21,647,935</u>	<u>21,557,151</u>	<u>22,340,157</u>	<u>783,006</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,814,170	11,291,684	10,803,428	488,256
Special.	2,511,063	2,621,942	2,292,933	329,009
Vocational.	1,143,473	1,193,964	945,394	248,570
Adult continuing	13,319	13,907	4,677	9,230
Support Services:				
Pupil.	754,075	787,372	703,973	83,399
Instructional staff	505,533	527,856	483,389	44,467
Board of education	299,346	312,564	307,138	5,426
Administration.	1,100,604	1,149,203	1,148,254	949
Fiscal	507,225	529,622	504,976	24,646
Business	107,105	111,834	105,539	6,295
Operations and maintenance.	2,380,240	2,485,343	2,454,358	30,985
Pupil transportation	1,009,033	1,053,588	948,214	105,374
Operation of non-instructional services	16,530	17,260	2,543	14,717
Extracurricular activities.	215,855	225,961	170,662	55,299
Facilities acquisition and construction	72,589	75,794	75,794	-
Total expenditures	<u>21,450,160</u>	<u>22,397,894</u>	<u>20,951,272</u>	<u>1,446,622</u>
Excess (deficiency) of revenues over (under) expenditures.	197,775	(840,743)	1,388,885	2,229,628
Other financing sources (uses):				
Refund of prior year expenditures.	3,862	3,846	3,986	140
Transfers (out)	(155,679)	(162,877)	(162,629)	248
Advances in.	381,474	379,821	394,083	14,262
Advances (out)	(395,694)	(413,167)	(413,167)	-
Sale of assets	8,490	8,455	8,762	307
Total other financing sources (uses)	<u>(157,547)</u>	<u>(183,922)</u>	<u>(168,965)</u>	<u>14,957</u>
Net change in fund balance	40,228	(1,024,665)	1,219,920	2,244,585
Fund balance at beginning of year	1,073,442	1,073,442	1,073,442	-
Prior year encumbrances appropriated	387,204	387,204	387,204	-
Fund balance at end of year	<u>\$ 1,500,874</u>	<u>\$ 435,981</u>	<u>\$ 2,680,566</u>	<u>\$ 2,244,585</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 13,826	\$ 37,967
Total assets	13,826	\$ 37,967
Liabilities:		
Accounts payable.	-	\$ 553
Due to other governments.	-	34
Due to students	-	37,380
Total liabilities	-	\$ 37,967
Net Assets:		
Held in trust for scholarships	13,826	
Total net assets	\$ 13,826	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 111
Total additions.	111
Deductions:	
Scholarships awarded	399
Change in net assets	(288)
Net assets at beginning of year.	14,114
Net assets at end of year	\$ 13,826

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

East Liverpool City 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 operates under a locally-elected five member Board and provides educational services as mandated by State and Federal agencies. It is staffed by 99 non-certified employees, 175 certified full-time teaching personnel and 26 administrative employees who provide services to 2,276 students and other community members. The District currently operates four instructional buildings, one administrative building and one bus garage.

The District was established in 1864 through the consolidation of existing land areas and Districts. The District serves an area of approximately 10 square miles. It is located in Columbiana County and includes all of the City of East Liverpool, all of Liverpool Township and a portion of Saint Clair Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For East Liverpool City School District, this includes the agencies and departments that provide the following services: general operations, food service, preschool, childcare and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District has no component units.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

The following activities are included within the reporting entity:

Non-Public Schools

Within the District boundaries, St. Aloysius Catholic School is operated through the Catholic Diocese of Youngstown and East Liverpool Christian School is operated as a private school. 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 schools. These transactions are reported in a special revenue fund and as a governmental activity of the District.

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo, Suite 105, Youngstown, Ohio 44512.

Columbiana County Career and Technology Center

The Columbiana County Career and Technology Center (Career Center) is a jointly governed organization to provide for the vocational and special education needs of the students of eight participating school districts. The Career Center Board of Education members are appointed by the local Boards of Education from one of its elected members. The Career Center Board of Education exercises total control over its operations, including budgeting, appropriating, contracting, and designating management. All revenues are generated from tax levies, State funding and fees. Financial information can be obtained by writing to the Columbiana County Career and Technology Center, 9364 State Route 45, Lisbon, Ohio 44432.

B. Fund Accounting

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

GOVERNMENTAL FUNDS

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

The following 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 to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom Facilities Fund - The classroom facilities fund accounts for the proceeds of notes and bonds as well as grants for the building and equipping of classroom facilities. The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

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

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

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

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

D. Basis of Accounting

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

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

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

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as expenditures with a like amount reported as intergovernmental revenue.

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

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at fund, function and object level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. On or before July 1, 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 the basis for the appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2008.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function and object level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund, function and object level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2008; however, none of the amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds consistent with statutory provisions.

Encumbrances: 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 the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations: At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposits and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio 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 year 2008 amounted to \$190,295, which includes \$127,672 assigned from other funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at cost and expensed when used. Inventories are accounted for using the consumption method.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 40 years
Furniture and equipment	10 years
Vehicles	8 years

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 activities columns of the statement of net assets.

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation absences are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments for sick leave.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absences 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.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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 capital leases are recognized as a liability on the governmental fund financial statements when due.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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, materials and supplies inventory, prepayments, debt service, bus purchases and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

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

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

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a bus purchases reserve. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 17.

Q. Unamortized Bond Issuance Costs

On government-wide financial statements, bonds issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the government-wide financial statements.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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

On the governmental fund financial statements, bond issuance costs are recognized in the current period.

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Assets

Net assets have been restated at July 1, 2007, to account for errors and omissions in the prior periods capital assets. The adjustments had the following effect on governmental activities net assets as previously reported:

Governmental activities net assets, June 30, 2007	\$ 49,184,625
<u>Adjustments:</u>	
Capital assets	1,596,408
Accumulated depreciation	<u>939,806</u>
Restated governmental activities net assets, July 1, 2007	<u>\$ 51,720,839</u>

C. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 24,469
Vocational education	3,630
Preschool grants	2,340
SchoolNet	7,160

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$6,701,291. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$6,557,637 of the District's bank balance of \$8,657,866 was exposed to custodial risk as discussed below, while \$2,100,229 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB	\$ 1,929,709	\$ 1,023,835	\$ 905,874
FHLMC	3,939,211	2,628,893	1,310,318
FNMA	1,806,480	1,806,480	-
STAR Ohio	7,573,819	7,573,819	-
	<u>\$ 15,249,219</u>	<u>\$ 13,033,027</u>	<u>\$ 2,216,192</u>

The weighted average maturity of investments is 0.19 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 in federal agency securities, and the federal agency securities that underlie the District's repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's \$1,658,039 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%.

The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 1,929,709	12.65
FHLMC	3,939,211	25.83
FNMA	1,806,480	11.85
STAR Ohio	<u>7,573,819</u>	<u>49.67</u>
Total	<u>\$ 15,249,219</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,701,291
Investments	<u>15,249,219</u>
Total	<u>\$ 21,950,510</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 21,898,717
Private-purpose trust funds	13,826
Agency fund	<u>37,967</u>
Total	<u>\$ 21,950,510</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Amount</u>
Transfers from general fund to:	
Classroom facilities fund	\$ 39,384
Nonmajor governmental funds	123,245
Transfers from classroom facilities fund to:	
Nonmajor governmental funds	<u>2,443,960</u>
Total	<u>\$ 2,606,589</u>

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

The District transferred \$2,443,960 from the classroom facilities fund to the building fund (a nonmajor governmental fund) to fund Ohio School Facilities Commission building projects.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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

- B.** Interfund loans receivable and payable consisted of the following at June 30, 2008, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 131,630

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances were interfund loans which were not repaid in the current fiscal year.

Interfund transactions between governmental funds are eliminated on the government-wide financial statements.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

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 year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Columbiana 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, 2008, are available to finance fiscal year 2008 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The amount available as an advance at June 30, 2008, was \$138,816 and is recognized as revenue. \$128,267 was available to the general fund and \$10,549 was available to the nonmajor governmental funds. The amount that was available for advance at June 30, 2007 was \$535,045 to the general fund and \$47,737 to the nonmajor governmental funds.

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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 143,574,050	86.79	\$ 181,689,720	89.12
Public utility personal	10,125,950	6.12	9,160,470	4.49
Tangible personal property	<u>11,724,335</u>	<u>7.09</u>	<u>13,029,320</u>	<u>6.39</u>
Total	<u>\$ 165,424,335</u>	<u>100.00</u>	<u>\$ 203,879,510</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$36.60		\$36.40

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of property 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 5,265,156
Accounts	2,861
Intergovernmental	24,375,570
Accrued interest	<u>99,184</u>
Total	<u>\$ 29,742,771</u>

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances have been restated as described in Note 3.B. The restatement to capital asset balances as previously reported follows:

	Balance		Restated
	<u>06/30/07</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>07/01/07</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 42,269	\$ -	\$ 42,269
Construction in progress	4,625,237	-	4,625,237
Total capital assets, not being depreciated	<u>4,667,506</u>	<u>-</u>	<u>4,667,506</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,342,058	879,932	2,221,990
Buildings and improvements	11,932,176	693,763	12,625,939
Furniture and equipment	5,679,098	(39,201)	5,639,897
Vehicles	1,468,746	61,914	1,530,660
Total capital assets, being depreciated	<u>20,422,078</u>	<u>1,596,408</u>	<u>22,018,486</u>
<i>Less: accumulated depreciation</i>			
Land improvements	(1,071,907)	-	(1,071,907)
Buildings and improvements	(11,346,975)	-	(11,346,975)
Furniture and equipment	(4,745,977)	939,806	(3,806,171)
Vehicles	(1,200,692)	-	(1,200,692)
Total accumulated depreciation	<u>(18,365,551)</u>	<u>939,806</u>	<u>(17,425,745)</u>
Governmental activities capital assets, net	<u>\$ 6,724,033</u>	<u>\$ 2,536,214</u>	<u>\$ 9,260,247</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

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

	Restated Balance <u>07/01/07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 42,269	\$ -	\$ -	\$ 42,269
Construction in progress	4,625,237	8,227,655	(8,112,695)	4,740,197
Total capital assets, not being depreciated	<u>4,667,506</u>	<u>8,227,655</u>	<u>(8,112,695)</u>	<u>4,782,466</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,221,990	-	-	2,221,990
Building and improvements	12,625,939	8,112,695	-	20,738,634
Furniture and equipment	5,639,897	138,033	(46,744)	5,731,186
Vehicles	1,530,660	-	(42,200)	1,488,460
Total capital assets, being depreciated	<u>22,018,486</u>	<u>8,250,728</u>	<u>(88,944)</u>	<u>30,180,270</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,071,907)	(89,445)	-	(1,161,352)
Building and improvements	(11,346,975)	(232,407)	-	(11,579,382)
Furniture and equipment	(3,806,171)	(314,448)	43,014	(4,077,605)
Vehicles	(1,200,692)	(66,048)	37,980	(1,228,760)
Total accumulated depreciation	<u>(17,425,745)</u>	<u>(702,348)</u>	<u>80,994</u>	<u>(18,047,099)</u>
Governmental activities capital assets, net	<u>\$ 9,260,247</u>	<u>\$ 15,776,035</u>	<u>\$ (8,120,645)</u>	<u>\$ 16,915,637</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 477,037
Special	3,297
Vocational	18,617
Other	14,370
 <u>Support services:</u>	
Pupil	4,935
Instructional staff	6,282
Administration	22,477
Fiscal	712
Business	40,140
Operations and maintenance	23,939
Pupil transportation	52,377
Central	18,467
Non-instructional services	1,749
Extracurricular activities	9,825
Food service operation	8,124
Total depreciation expense	<u>\$ 702,348</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2008, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$205,132, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$58,610, leaving a current book value of \$146,522.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$41,711 paid by the general fund.

The interest rate on that capital lease is 4.48 percent.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30,</u>	
2009	\$ 45,871
2010	45,871
2011	45,871
2012	<u>15,291</u>
Total minimum lease payments	152,904
Less: amount representing interest	<u>(11,120)</u>
Total	<u>\$ 141,784</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. The beginning balance of long-term obligations has been restated to present the early retirement incentives payable as a component of long-term obligations. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>Loans and notes payable:</u>					
2003 QZAB school improvement bonds - 0%	\$ 6,473,021	\$ -	\$ (408,993)	\$ 6,064,028	\$ 408,993
1997 Energy conservation loan - 5%	<u>25,940</u>	<u>-</u>	<u>(25,940)</u>	<u>-</u>	<u>-</u>
Total loans and notes payable	<u>\$ 6,498,961</u>	<u>\$ -</u>	<u>\$ (434,933)</u>	<u>\$ 6,064,028</u>	<u>\$ 408,993</u>
<u>Other long-term obligations:</u>					
Capital leases payable	\$ 183,495	\$ -	\$ (41,711)	\$ 141,784	\$ 40,338
Early retirement incentives payable	140,000	110,000	(95,000)	155,000	110,000
Compensated absences	<u>1,528,990</u>	<u>217,859</u>	<u>(169,608)</u>	<u>1,577,241</u>	<u>118,191</u>
Total other long-term obligations	<u>\$ 1,852,485</u>	<u>\$ 327,859</u>	<u>\$ (306,319)</u>	<u>\$ 1,874,025</u>	<u>\$ 268,529</u>
Total governmental activities	<u>\$ 8,351,446</u>	<u>\$ 327,859</u>	<u>\$ (741,252)</u>	<u>\$ 7,938,053</u>	<u>\$ 677,522</u>

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

2003 QZAB school improvement bonds: During fiscal year 2003, the District issued \$7,900,000 in general obligation permanent improvement qualified zone academy bonds (QZABs) to be used for school building renovations and improvements. General obligation bonds will be paid from the debt service fund. The QZABs mature in March 2018. The QZAB bonds will not be subject to redemption prior to maturity and no call provisions are offered. Since the bonds have been issued with a zero percent interest rate, the bond owners will not receive interest income from the bonds. However, the owners of the bonds that are eligible taxpayers (generally banks, insurance companies, and corporations actively in the business of lending money) will receive income on the bonds in the form of an annual federal tax credit. The amount of the QZAB credit will be equal to the product of the QZAB credit rate or 5.66 percent multiplied by the principal amount of bonds owned on the credit allowance date which is March 6, 2003 and each March 6th thereafter until maturity.

As indicated below, the principal requirement amounts do not total \$7,700,000. The District will be making annual sinking fund payments over a fifteen year period to Bank One Trust Company, its escrow agent which will invest the sinking fund dollars at an interest rate that will generate at least \$1,974,094 over the loan period, the difference between the sinking payments and the bond principal. It is the assumption of the District that the money in the sinking fund will be invested and earn enough interest to allow the QZABs to be paid in full in March 2018.

Principal requirements to retire the 2003 QZAB school improvement bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ended	Principal
2009	\$ 408,993
2010	408,993
2011	408,993
2012	408,993
2013	408,993
2014 - 2018	4,019,063
Total	\$ 6,064,028

1997 Energy conservation loan: The District on September 9, 1997 issued an \$822,000 unvoted general obligation energy conservation loan for the purpose of providing energy conservation measures for the District and to finance building improvements. The loan is being retired from tax revenue from the classroom facilities maintenance special revenue fund. The energy conservation loan matures in September of 2007.

Compensated absences and early retirement incentives: Compensated absences and early retirement incentives will be paid from the fund from which the employees' salaries are paid. Compensated absences will primarily be paid from the general fund.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 9 for detail.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$11,575,908 (including available funds of \$512,519) and an unvoted debt margin of \$190,305.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. There is no limit on the amount they may accumulate. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for classified personnel and 258 days for certified personnel. Upon retirement, payment is made to classified employees for one-third of the first 90 days plus 10 percent of the remaining balance up to the 250 days maximum and to certified employees for one-third of the first 90 days plus 10 percent of the remaining balance up to 240 days maximum. In no case shall a certified retiree receive less than 10 days, regardless of the number of sick days accumulated.

B. Life Insurance

The District provides term life insurance and accidental death and dismemberment insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Medical Mutual Life Insurance Company.

C. Health Insurance

The District provides medical and dental insurance to all certified employees and to those classified employees working at least 22.5 hours per week, through Medical Mutual of Ohio. Coverage for classified employees begins the first day of the month following six months of employment, with 100 percent of the premium paid by the District. Coverage for certified employees begins the first day of employment, with 100 percent paid by the District.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

D. Retirement Incentive Bonus

The District Board of Education offers STRS Ohio employees' participation in a Retirement Incentive Bonus program for those employees with twenty or more years of service in the District. STRS Ohio employees who choose to accept retirement in accordance with STRS Ohio requirements receive a retirement incentive bonus payment of ten thousand dollars. STRS Ohio employees must submit a written letter of intent to retire to the District Board of Education by December 31 of the school year in which they elect to retire. The retirement incentive payment shall be paid in two equal payments in June of consecutive years after retirement.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted for various types of insurance through the Ohio School Insurance Program. Coverage provided is as follows:

Types of Coverage	Coverage Amount
Property: All Building and Contents (\$1,000 deductible)	\$ 83,565,502
Flood: Field, Building and Contents (\$25,000 deductible)	1,000,000
Inland Marine Coverage (\$1,000 deductible)	1,800,000
Crime Insurance (\$500 deductible)	25,000
Automobile (\$500 deductible)	2,000,000
Uninsured (\$500 deductible)	1,000,000
General Liability (\$1,000 deductible)	
Per occurrence	2,000,000
Total per year	4,000,000

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

The District pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$227,484, \$256,408 and \$255,548, respectively; 49.16 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,294,581, \$1,397,716, and \$1,437,683, respectively; 84.83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$37 made by the District and \$10,656 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$155,090, \$136,409, and \$128,716, respectively; 49.16 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$16,391, \$17,436, and \$20,339, respectively; 49.16 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$99,583, \$107,517, and \$110,591, respectively; 84.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is 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, disbursements and encumbrances. A statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented in the basic financial statements for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and
4. Advances-in and advances-out are operating transactions (budget) as opposed to balance sheet transactions (GAAP); and
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 15 - 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	\$ 1,219,920
Net adjustment for revenue accruals	(388,833)
Net adjustment for expenditure accruals	(344,327)
Net adjustment for other sources/uses	6,336
Adjustment for encumbrances	<u>530,624</u>
GAAP basis	<u><u>\$ 1,023,720</u></u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to legal proceedings. The District's management is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 17 - STATUTORY RESERVES

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

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ 48,215	\$ -
Current year set-aside requirement	-	396,472
Qualifying disbursements	<u>(323,776)</u>	<u>(617,356)</u>
Total	<u>\$ (275,561)</u>	<u>\$ (220,884)</u>
Balance carried forward to FY 2009	<u>\$ (275,561)</u>	<u>\$ -</u>

The District, under O.R.C. 3315.17 and 3315.18, elected to suspend contributions into the textbooks and instructional materials for the fiscal year. Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserves this extra amount may not be carried forward to the next fiscal year.

The District had amounts restricted for school bus purchases.

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

Amounts restricted for school bus purchases	<u>\$ 50,285</u>
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NOTE 18 - FISCAL EMERGENCY

On December 18, 2003, the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under Section 3316.03B(5) of the Ohio Revised Code. In accordance with State law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of the Office of Budget and Management, an appointee of the Governor and an appointee of the Mayor of East Liverpool. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. Once the plan is adopted, the Board of Education's discretion is limited in that all financial activity of the District must be in accordance with the plan. The recovery plan was adopted on March 24, 2004. State law requires that the plan be updated annually. The recovery plan includes staff reductions of one administrator, 12 administrative staff, 34 non-certified and 68 certified positions and reductions to supplies, supplemental contracts and fringe benefits with an estimated savings of \$4,853,000. The Board and the Commission have not yet taken any action to revise the recovery plan for fiscal year 2008 and beyond.

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY, OHIO**

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

NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2008, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
A&I Studio	\$ 1,132,153	\$ 955,284	\$ 176,869
BSHM	1,883,115	1,510,945	372,170
Conti Corp	4,290,875	1,340,379	2,950,496
Contiental Office Furniture	153,668	113,650	40,018
Data Serve	142,228	95,751	46,477
Ellyson	390,632	383,291	7,341
Fire Protection, Inc.	206,773	120,116	86,657
Horizon Information Services	353,035	327,539	25,496
Martin Public Seating	118,424	105,134	13,290
Sayre Electric	1,117,199	1,085,264	31,935
VendRick Construction	4,086,808	3,984,335	102,473
Knoch Corp	6,321,000	-	6,321,000
Fire Foe Corp	460,757	-	460,757
York Mahoning Mechanical	4,593,700	-	4,593,700
Totals	<u>\$ 25,250,367</u>	<u>\$ 10,021,688</u>	<u>\$ 15,228,679</u>

NOTE 20 - SUBSEQUENT EVENT

As of December 31, 2008, the District Treasurer, Dan Telzrow, has resigned from the District. On January 7, 2009, the District hired Todd Puster.

EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	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		\$74,871		\$74,871
Nutrition Cluster:					
National School Breakfast Program	10.553	179,221		179,221	
Total National School Breakfast Program		<u>179,221</u>		<u>179,221</u>	
National School Lunch Program	10.555	615,994		615,994	
Total National School Lunch Program		<u>615,994</u>		<u>615,994</u>	
Subtotal Nutrition Cluster		<u>795,215</u>		<u>795,215</u>	
Total U.S. Department of Agriculture		<u>795,215</u>	<u>74,871</u>	<u>795,215</u>	<u>74,871</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
IDEA - Part B Grant	84.027	750,080		834,098	
Total IDEA - Part B Grant		<u>750,080</u>		<u>834,098</u>	
Early Childhood Special Education	84.173	24,455		27,295	
Total Early Childhood Special Education		<u>24,455</u>		<u>27,295</u>	
Subtotal Special Education Cluster		<u>774,535</u>		<u>861,393</u>	
Title I Grants to Local Educational Agencies	84.010	1,191,304		1,221,018	
Total Title I Grants to Local Educational Agencies		<u>1,191,304</u>		<u>1,221,018</u>	
Title V - Innovation Program Grant	84.298	1,756		1,537	
Total Title V - Innovation Program Grant		<u>1,756</u>		<u>1,537</u>	
Drug Free School Grant	84.186	22,753		21,821	
Total Drug Free School Grant		<u>22,753</u>		<u>21,821</u>	
Title II-A Grant	84.367	302,795		265,749	
Total Title II-A Grant		<u>302,795</u>		<u>265,749</u>	
Title II-D Grant	84.318	15,918		20,936	
Total Title II-D Grant		<u>15,918</u>		<u>20,936</u>	
Vocational Education - Carl D. Perkins Act of 1984	84.048	84,071		82,673	
Total Vocational Education - Carl D. Perkins Act of 1984		<u>84,071</u>		<u>82,673</u>	
Title VI-B Rural and Low Income	84.358	85,399		89,415	
Total Title VI-B Rural and Low Income		<u>85,399</u>		<u>89,415</u>	
School Maintenance and Operation Assistance (Impact Aid / SAFA)	84.041	392		0	
Total School Maintenance and Operation Assistance		<u>392</u>		<u>0</u>	
Total Department of Education		<u>2,478,923</u>		<u>2,564,542</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
<i>Passed Through Ohio Department of Mental Retardation and Development Disabilities:</i>					
CAFS Program	93.778	30,687		0	
Total CAFS Program		<u>30,687</u>		<u>0</u>	
Total Department of Health and Human Services		<u>30,687</u>		<u>0</u>	
Total Federal Receipts and Expenditures		<u><u>\$3,304,825</u></u>	<u><u>\$74,871</u></u>	<u><u>\$3,359,757</u></u>	<u><u>\$74,871</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

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**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

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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*

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District, Columbiana County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2009. We noted the District is experiencing certain financial difficulties and has been declared in fiscal emergency pursuant to Ohio Revised Code Section 3316.03 B(5). 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the District's management in a separate letter dated March 10, 2009.

Compliance and Other Matters

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated March 10, 2009.

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

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

Mary Taylor, CPA
Auditor of State

March 10, 2009



Mary Taylor, CPA

Auditor of State

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

East Liverpool City School District
Columbiana County
500 Maryland Avenue
East Liverpool, Ohio 43920

To the Board of Education:

Compliance

We have audited the compliance of the East Liverpool City School District, Columbiana County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

In a separate letter to the District's management dated March 10, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 10, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 10, 2009

**EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I (CFDA #84.010) Nutrition Cluster (CFDA #10.553 & 10.555)
<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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

EAST LIVERPOOL CITY SCHOOL DISTRICT
COLUMBIANA 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
APRIL 9, 2009