



**Auditor of State  
Betty Montgomery**



**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Austintown Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Austintown Local School District, Mahoning County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, during the year ended June 30, 2005, the District implemented revisions to the recognition of pension and other postemployment benefit expenditures/expenses and liabilities by cost sharing employers as provided for in Governmental Accounting Standards Board Technical Bulletin 2004-2.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2006 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 grants. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Betty Montgomery**  
Auditor of State

March 24, 2006

**AUSTINTOWN LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The discussion and analysis of Austintown Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$1,240,718. Net assets of governmental activities increased \$1,227,346, which represents a 36.04% increase from 2004. Net assets of business-type activities increased \$13,372 or 12.76% from 2004.
- General revenues accounted for \$40,466,201 in revenue or 88.28% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,373,652 or 11.72% of total revenues of \$45,839,853.
- The District had \$44,612,507 in expenses related to governmental activities; only \$5,373,652 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 \$40,466,201 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$38,139,817 in revenues and \$38,173,084 in expenditures and other financing uses. The general fund's fund deficit balance increased from \$3,692,193 to \$3,725,460.
- Another of the District's major governmental funds is the debt service fund. The debt service fund had \$1,762,507 in revenues and \$28,155,437 in expenditures. The debt service fund's fund balance decreased from \$26,835,632 to \$442,702.
- The District's other major governmental fund is the building fund. The building fund had \$526,078 in revenues and \$2,246,684 in expenditures. The building fund's fund balance decreased from \$25,494,821 to \$23,774,215.
- Net assets for the business-type activities, which are made up of the adult education and special enterprise funds, increased in 2005 by \$13,372. This increase in net assets was mainly due to adequate charges for services revenue to cover operating expenses in the special enterprise fund.

**Using this Annual Financial Report**

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, debt service fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

### **Reporting the District as a Whole**

#### ***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

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



**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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***Governmental Funds***

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

***Proprietary Funds***

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

**Reporting the District's Fiduciary Responsibilities**

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

***Notes to the Basic Financial Statements***

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

**The District as a Whole**

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

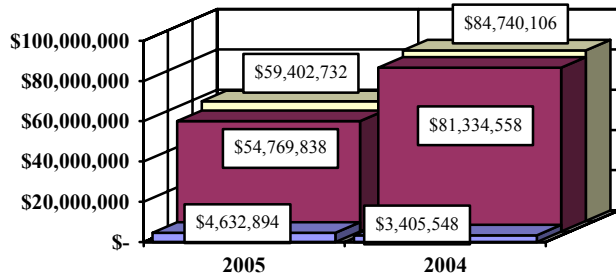
The table below provides a summary of the District's net assets for 2005 and 2004.

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Net Assets**

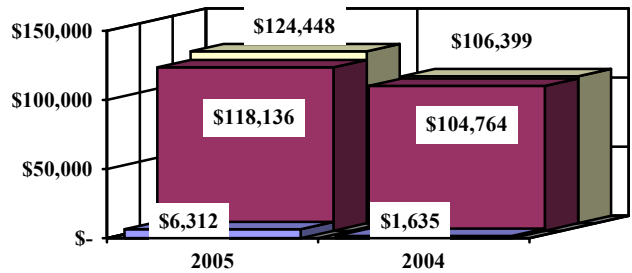
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 50,881,566	\$ 78,064,874	\$ 103,012	\$ 92,236	\$ 50,984,578	\$ 78,157,110
Capital assets	8,521,166	6,675,232	21,436	14,163	8,542,602	6,689,395
Total assets	<u>59,402,732</u>	<u>84,740,106</u>	<u>124,448</u>	<u>106,399</u>	<u>59,527,180</u>	<u>84,846,505</u>
<b>Liabilities</b>						
Current liabilities	25,505,955	25,500,160	6,312	1,635	25,512,267	25,501,795
Long-term liabilities	<u>29,263,883</u>	<u>55,834,398</u>	-	-	<u>29,263,883</u>	<u>55,834,398</u>
Total liabilities	<u>54,769,838</u>	<u>81,334,558</u>	<u>6,312</u>	<u>1,635</u>	<u>54,776,150</u>	<u>81,336,193</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	5,710,633	6,086,260	21,436	14,163	5,732,069	6,100,423
Restricted	2,290,794	1,650,834	-	-	2,290,794	1,650,834
Unrestricted (deficit)	<u>(3,368,533)</u>	<u>(4,331,546)</u>	<u>96,700</u>	<u>90,601</u>	<u>(3,271,833)</u>	<u>(4,240,945)</u>
Total net assets	<u>\$ 4,632,894</u>	<u>\$ 3,405,548</u>	<u>\$ 118,136</u>	<u>\$ 104,764</u>	<u>\$ 4,751,030</u>	<u>\$ 3,510,312</u>

**Governmental – Net Assets**



■ Net Assets ■ Liabilities ■ Assets

**Business-Type – Net Assets**



■ Liabilities ■ Net Assets ■ Assets

**AUSTINTOWN LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The table below shows the changes in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b><u>Revenues</u></b>						
Program revenues:						
Charges for services and sales	\$ 1,731,096	\$ 1,760,391	\$ 64,739	\$ 56,525	\$ 1,795,835	\$ 1,816,916
Operating grants and contributions	3,602,552	3,070,567	-	-	3,602,552	3,070,567
Capital grants and contributions	40,004	-	-	-	40,004	-
General revenues:						
Property taxes	19,047,249	16,913,371	-	-	19,047,249	16,913,371
Grants and entitlements	20,259,894	18,994,521	-	-	20,259,894	18,994,521
Investment earnings	718,729	291,886	-	-	718,729	291,886
Decrease in fair market value of investments	-	(282,291)	-	-	-	(282,291)
Other	440,329	282,201	-	-	440,329	282,201
Total revenues	<u>45,839,853</u>	<u>41,030,646</u>	<u>64,739</u>	<u>56,525</u>	<u>45,904,592</u>	<u>41,087,171</u>
<b><u>Expenses</u></b>						
Program expenses:						
Instruction:						
Regular	20,398,344	20,229,285	-	-	20,398,344	20,229,285
Special	4,628,169	4,280,083	-	-	4,628,169	4,280,083
Vocational	294,317	273,806	-	-	294,317	273,806
Other	939,960	772,412	-	-	939,960	772,412
Support services:						
Pupil	2,551,070	2,597,157	-	-	2,551,070	2,597,157
Instructional staff	1,256,735	1,231,504	-	-	1,256,735	1,231,504
Board of Education	55,047	49,234	-	-	55,047	49,234
Administration	3,254,773	3,171,693	-	-	3,254,773	3,171,693
Fiscal	876,394	867,719	-	-	876,394	867,719
Business	2,856	5,350	-	-	2,856	5,350
Operations and maintenance	3,845,458	3,758,630	-	-	3,845,458	3,758,630
Pupil transportation	2,429,465	2,368,397	-	-	2,429,465	2,368,397
Central	1,599	1,335	-	-	1,599	1,335
Operation of non-instructional services:						
Food service operations	1,452,914	1,678,327	-	-	1,452,914	1,678,327
Other non-instructional services	100,797	47,412	-	-	100,797	47,412
Extracurricular activities	1,013,794	1,013,635	-	-	1,013,794	1,013,635
Intergovernmental	225,516	251,721	-	-	225,516	251,721
Interest and fiscal charges	1,285,299	370,444	-	-	1,285,299	370,444
Adult education	-	-	11,463	13,543	11,463	13,543
Special enterprise	-	-	39,904	50,231	39,904	50,231
Total expenses	<u>44,612,507</u>	<u>42,968,144</u>	<u>51,367</u>	<u>63,774</u>	<u>44,663,874</u>	<u>43,031,918</u>
Changes in net assets	1,227,346	(1,937,498)	13,372	(7,249)	1,240,718	(1,944,747)
Net assets at beginning of year	<u>3,405,548</u>	<u>5,343,046</u>	<u>104,764</u>	<u>112,013</u>	<u>3,510,312</u>	<u>5,455,059</u>
Net assets at end of year	<u>\$ 4,632,894</u>	<u>\$ 3,405,548</u>	<u>\$ 118,136</u>	<u>\$ 104,764</u>	<u>\$ 4,751,030</u>	<u>\$ 3,510,312</u>

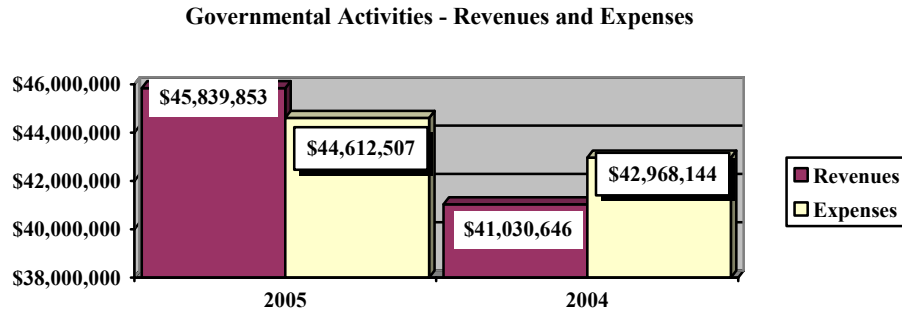
**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Governmental Activities**

For fiscal year 2005, the net assets of the District's governmental activities increased \$1,227,346. Total governmental expenses of \$44,612,507 were offset by program revenues of \$5,373,652 and general revenues of \$40,466,201. Program revenues supported 12.05% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 85.75% of total governmental revenue. Real estate property is reappraised every six years.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

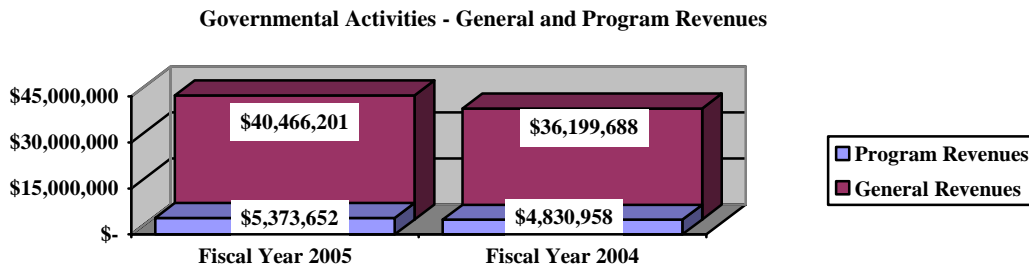
	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses:				
Instruction:				
Regular	\$ 20,398,344	\$ 19,632,274	\$ 20,229,285	\$ 19,556,736
Special	4,628,169	3,252,555	4,280,083	3,161,932
Vocational	294,317	294,317	273,806	271,463
Other	939,960	909,344	772,412	742,243

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Support services:				
Pupil	2,551,070	2,464,116	2,597,157	2,500,608
Instructional staff	1,256,735	1,041,375	1,231,504	1,037,310
Board of Education	55,047	55,047	49,234	49,234
Administration	3,254,773	3,049,416	3,171,693	2,801,740
Fiscal	876,394	612,406	867,719	865,919
Business	2,856	2,856	5,350	5,350
Operations and maintenance	3,845,458	3,844,374	3,758,630	3,757,891
Pupil transportation	2,429,465	2,422,817	2,368,397	2,366,877
Central	1,599	1,599	1,335	1,335
Operation of non-instructional services:				
Food service operations	1,452,914	(219,093)	1,678,327	97,899
Other operation of non-instructional services	100,797	16,357	47,412	(4,654)
Extracurricular activities	1,013,794	627,321	1,013,635	580,410
Intergovernmental	225,516	(53,525)	251,721	(25,551)
Interest and fiscal charges	1,285,299	1,285,299	370,444	370,444
<b>Total expenses</b>	<b><u>\$ 44,612,507</u></b>	<b><u>\$ 39,238,855</u></b>	<b><u>\$ 42,968,144</u></b>	<b><u>\$ 38,137,186</u></b>

The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 91.73% of 2005 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.95%. The District's taxpayers, as a whole, is by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



### Business-Type Activities

Business-type activities include adult education and the special enterprise operations. These programs had revenues of \$64,739 and expenses of \$51,367 for fiscal year 2005. The District's business activities receive no support from tax revenues.

### The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$22,114,374 which is below last year's total of \$49,925,215. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase/ (Decrease)
General	\$ (3,725,460)	\$ (3,692,193)	\$ (33,267)
Debt Service	442,702	26,835,632	(26,392,930)
Building	23,774,215	25,494,821	(1,720,606)
Other Governmental	<u>1,622,917</u>	<u>1,286,955</u>	<u>335,962</u>
<b>Total</b>	<b><u>\$ 22,114,374</u></b>	<b><u>\$ 49,925,215</u></b>	<b><u>\$ (27,810,841)</u></b>

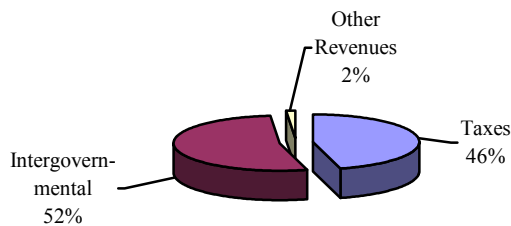
**General Fund**

The District's general fund deficit balance increased by \$33,267, due to an increase in overall expenditures still exceeding an increase in state funding during 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

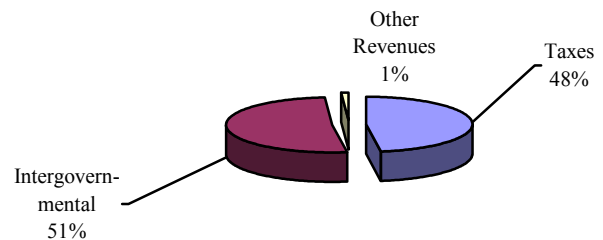
	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 17,482,434	\$ 17,626,961	\$ (144,527)	(0.82) %
Intergovernmental	20,077,649	18,905,791	1,171,858	6.20 %
Other revenues	<u>579,734</u>	<u>418,391</u>	<u>161,343</u>	38.56 %
<b>Total</b>	<b><u>\$ 38,139,817</u></b>	<b><u>\$ 36,951,143</u></b>	<b><u>\$ 1,188,674</u></b>	3.22 %

Tax revenue decreased by \$144,527 or 0.82% from fiscal 2004 due to the decrease in property tax revenue received during fiscal 2005. Intergovernmental revenue increased \$1,171,858 or 6.20% from the prior year. This increase is attributed to an increase in the number of grants the district received in 2005. Other revenues increased \$161,343 or 38.56% due to an increase in investment income and an increase in other local revenues.

**Revenues – Fiscal Year 2005**



**Revenues – Fiscal Year 2004**



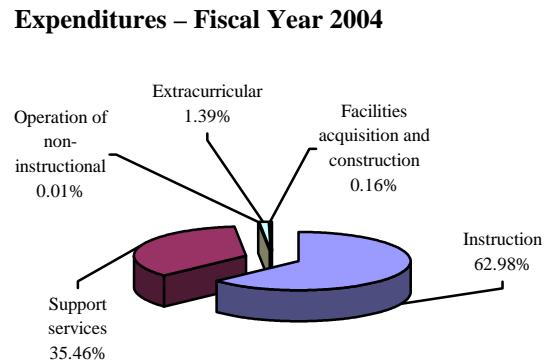
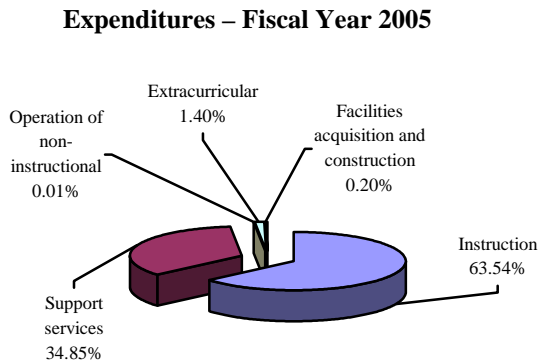
**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2005 Amount</u>	<u>Restated 2004 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Instruction	\$ 24,179,412	\$ 23,688,198	\$ 491,214	2.07 %
Support services	13,261,795	13,605,147	(343,352)	(2.52) %
Operation of non-instructional services	3,565	3,929	(364)	(9.26) %
Extracurricular activities	534,036	523,807	10,229	1.95 %
Facilities acquisition and construction	<u>74,590</u>	<u>60,734</u>	<u>13,856</u>	22.81 %
<b>Total</b>	<u>\$ 38,053,398</u>	<u>\$ 37,881,815</u>	<u>\$ 171,583</u>	0.45 %

One of the most significant increases was in the area of facilities acquisition and construction. Facilities acquisition and construction expenditures increased due to an overall increase in capital spending by the District. The largest expenditure line item, instruction, increased by \$491,214 or 2.07%, which is primarily attributed to wage and benefit increases.



***Debt Service Fund***

The debt service fund had \$1,762,507 in revenues and \$28,155,437 in expenditures. The debt service fund's fund balance decreased from \$26,835,632 to \$442,702.

***Building Fund***

The building fund had \$526,078 in revenues and \$2,246,684 in expenditures. The building fund's fund balance decreased from \$25,494,821 to \$23,774,215.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***General Fund Budgeting Highlights***

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

During the course of fiscal 2005, the District amended its general fund budget numerous times, none significant. The District uses budgeting systems to tightly control local budgets but provide flexibility for management.

For the general fund, final budgeted revenues and other financing sources were \$37,945,676, which was increased from the original budgeted revenues and other financing sources estimate of \$37,499,441. Actual revenues and other financing sources for fiscal 2005 were \$38,240,417. This represents a \$294,741 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,068,470 were increased to \$39,128,395 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$38,566,876, which was \$561,519 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$8,542,602 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and construction in progress (CIP). Of this total, \$8,521,166 was reported in governmental activities and \$21,436 was reported in business-type activities. The following table shows fiscal 2005 balances compared to 2004:

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

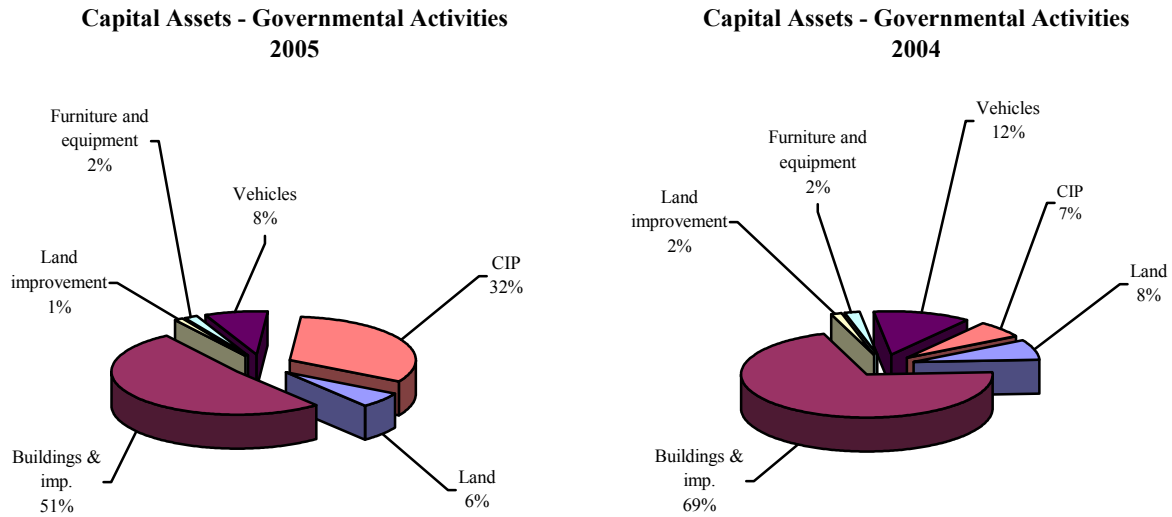
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 502,026	\$ 502,026	\$ -	\$ -	\$ 502,026	\$ 502,026
Land improvements	89,327	103,714	-	-	89,327	103,714
Building and improvements	4,378,638	4,683,650	-	-	4,378,638	4,683,650
Furniture and equipment	151,014	116,824	21,436	14,163	172,450	130,987
Vehicles	667,523	835,018	-	-	667,523	835,018
Construction in progress	<u>2,732,638</u>	<u>434,000</u>	<u>-</u>	<u>-</u>	<u>2,732,638</u>	<u>434,000</u>
Total	<u>\$8,521,166</u>	<u>\$ 6,675,232</u>	<u>\$ 21,436</u>	<u>\$ 14,163</u>	<u>\$8,542,602</u>	<u>\$6,689,395</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The following graphs show the breakdown of governmental activities capital assets by category for 2005 and 2004.



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

**Debt Administration**

At June 30, 2005 the District had \$25,593,786 in an asbestos abatement loan and general obligation bonds outstanding. Of this total, \$415,123 is due within one year and \$25,178,663 is due within greater than one year. The following table summarizes the bonds and loan outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Asbestos abatement loan	\$ 163,303	\$ 188,426
General obligation bonds	25,430,483	26,000,000
General obligation notes	-	26,000,000
Total	<u>\$ 25,593,786</u>	<u>\$ 52,188,426</u>

The District issued an asbestos abatement loan to provide energy improvements to various District buildings. The asbestos abatement loan is interest free. The asbestos abatement loan matures on July 24, 2015.

During fiscal 2004, the District issued two bond anticipation notes for a total of \$26,000,000 to begin various District building projects. The issues bear annual interest rates of 2.00% and 1.62%, and matured on August 31, 2004.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

Also during fiscal 2004, the District issued \$26,000,000 in current interest and capital appreciation bonds. The bonds bear an annual interest rate of 2.00% - 5.13% and mature on December 1, 2031.

At June 30, 2005 the District's overall legal debt margin was \$25,909,731 with an unvoted debt margin of \$565,528.

See Note 9 to the basic financial statements for more detail on the District's long-term obligations.

**Current Financial Related Activities**

The District faces serious challenges, which have financial impact and require voter approval.

One challenge is the need for additional operating funds. The District has taken some unexpected and devastating financial blows in the past several years and is trying to recover. State funding cuts and losses for open enrollment and community schools has put a severe strain on the operating budget. No decision has been made as to when the 4.9 and 7.3 operating renewal levies, which generate \$5.2 million annually and expire at the end of 2006, will be placed on the ballot.

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

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

**Contacting the District's Financial Management**

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

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 4,541,072	\$ 103,012	\$ 4,644,084
Investments. . . . .	24,287,025	-	24,287,025
Receivables:			
Taxes . . . . .	21,319,809	-	21,319,809
Accounts . . . . .	33,619	-	33,619
Accrued interest . . . . .	106,318	-	106,318
Intergovernmental . . . . .	220,407	-	220,407
Prepayments . . . . .	24,278	-	24,278
Materials and supplies inventory . . . . .	31,568	-	31,568
Unamortized bond issue costs . . . . .	317,470	-	317,470
Capital assets:			
Land and construction in progress . . . . .	3,234,664	-	3,234,664
Depreciable capital assets, net . . . . .	5,286,502	21,436	5,307,938
Capital assets, net. . . . .	<u>8,521,166</u>	<u>21,436</u>	<u>8,542,602</u>
Total assets. . . . .	<u>59,402,732</u>	<u>124,448</u>	<u>59,527,180</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	273,977	-	273,977
Contracts payable . . . . .	769,074	5,463	774,537
Accrued wages and benefits . . . . .	4,418,226	-	4,418,226
Pension obligation payable. . . . .	949,114	702	949,816
Intergovernmental payable . . . . .	141,015	147	141,162
Deferred revenue . . . . .	18,859,712	-	18,859,712
Accrued interest payable . . . . .	94,837	-	94,837
Long-term liabilities:			
Due within one year. . . . .	956,166	-	956,166
Due within more than one year . . . . .	28,307,717	-	28,307,717
Total liabilities. . . . .	<u>54,769,838</u>	<u>6,312</u>	<u>54,776,150</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	5,710,633	21,436	5,732,069
Restricted for:			
Capital projects . . . . .	1,294,838	-	1,294,838
Debt service. . . . .	497,127	-	497,127
Locally funded programs . . . . .	21,847	-	21,847
State funded programs . . . . .	166,764	-	166,764
Federally funded programs . . . . .	222,432	-	222,432
Student activities . . . . .	87,786	-	87,786
Unrestricted (deficit) . . . . .	<u>(3,368,533)</u>	<u>96,700</u>	<u>(3,271,833)</u>
Total net assets . . . . .	<u>\$ 4,632,894</u>	<u>\$ 118,136</u>	<u>\$ 4,751,030</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 20,398,344	\$ 95,995	\$ 630,071	\$ 40,004
Special . . . . .	4,628,169	-	1,375,614	-
Vocational . . . . .	294,317	-	-	-
Other . . . . .	939,960	-	30,616	-
Support services:				
Pupil . . . . .	2,551,070	-	86,954	-
Instructional staff . . . . .	1,256,735	53	215,307	-
Board of education . . . . .	55,047	-	-	-
Administration . . . . .	3,254,773	-	205,357	-
Fiscal . . . . .	876,394	263,988	-	-
Business . . . . .	2,856	-	-	-
Operations and maintenance . . . . .	3,845,458	-	1,084	-
Pupil transportation . . . . .	2,429,465	-	6,648	-
Central . . . . .	1,599	-	-	-
Operation of non-instructional services:				
Food service operations . . . . .	1,452,914	973,855	698,152	-
Other non-instructional services . . . . .	100,797	-	84,440	-
Extracurricular activities . . . . .	1,013,794	386,473	-	-
Intergovernmental . . . . .	225,516	10,732	268,309	-
Interest and fiscal charges . . . . .	1,285,299	-	-	-
Total governmental activities . . . . .	<u>44,612,507</u>	<u>1,731,096</u>	<u>3,602,552</u>	<u>40,004</u>
<b>Business-type activities:</b>				
Adult education . . . . .	11,463	10,271	-	-
Special enterprise . . . . .	39,904	54,468	-	-
Total business-type activities . . . . .	<u>51,367</u>	<u>64,739</u>	<u>-</u>	<u>-</u>
Totals . . . . .	<u>\$ 44,663,874</u>	<u>\$ 1,795,835</u>	<u>\$ 3,602,552</u>	<u>\$ 40,004</u>

**General Revenues:**

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (19,632,274)	\$ -	\$ (19,632,274)
(3,252,555)	-	(3,252,555)
(294,317)	-	(294,317)
(909,344)	-	(909,344)
(2,464,116)	-	(2,464,116)
(1,041,375)	-	(1,041,375)
(55,047)	-	(55,047)
(3,049,416)	-	(3,049,416)
(612,406)	-	(612,406)
(2,856)	-	(2,856)
(3,844,374)	-	(3,844,374)
(2,422,817)	-	(2,422,817)
(1,599)	-	(1,599)
219,093	-	219,093
(16,357)	-	(16,357)
(627,321)	-	(627,321)
53,525	-	53,525
(1,285,299)	-	(1,285,299)
(39,238,855)	-	(39,238,855)
-	(1,192)	(1,192)
-	14,564	14,564
-	13,372	13,372
(39,238,855)	13,372	(39,225,483)
17,557,079	-	17,557,079
1,490,170	-	1,490,170
20,259,894	-	20,259,894
718,729	-	718,729
440,329	-	440,329
40,466,201	-	40,466,201
1,227,346	13,372	1,240,718
3,405,548	104,764	3,510,312
<u>\$ 4,632,894</u>	<u>\$ 118,136</u>	<u>\$ 4,751,030</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 1,987,268	\$ 442,702	\$ 221,469	\$ 1,889,633	\$ 4,541,072
Investments . . . . .	-	-	24,287,025	-	24,287,025
Receivables:					
Taxes . . . . .	19,712,312	1,607,497	-	-	21,319,809
Accounts . . . . .	25,600	-	-	8,019	33,619
Accrued interest . . . . .	-	-	106,318	-	106,318
Intergovernmental . . . . .	-	-	-	220,407	220,407
Prepayments . . . . .	24,278	-	-	-	24,278
Materials and supplies inventory . . . . .	-	-	-	31,568	31,568
<b>Total assets . . . . .</b>	<b><u>\$ 21,749,458</u></b>	<b><u>\$ 2,050,199</u></b>	<b><u>\$ 24,614,812</u></b>	<b><u>\$ 2,149,627</u></b>	<b><u>\$ 50,564,096</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 188,112	\$ -	\$ -	\$ 85,865	\$ 273,977
Contracts payable . . . . .	-	-	769,074	-	769,074
Accrued wages and benefits . . . . .	4,168,427	-	-	249,799	4,418,226
Compensated absences payable . . . . .	390,224	-	-	-	390,224
Pension obligation payable . . . . .	888,557	-	-	60,557	949,114
Intergovernmental payable . . . . .	127,286	-	-	13,729	141,015
Deferred revenue . . . . .	19,712,312	1,607,497	71,523	116,760	21,508,092
<b>Total liabilities . . . . .</b>	<b><u>25,474,918</u></b>	<b><u>1,607,497</u></b>	<b><u>840,597</u></b>	<b><u>526,710</u></b>	<b><u>28,449,722</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	267,088	-	1,371,596	377,307	2,015,991
Reserved for materials and supplies inventory . . . . .	-	-	-	31,568	31,568
Reserved for prepayments . . . . .	24,278	-	-	-	24,278
Reserved for debt service . . . . .	-	442,702	-	-	442,702
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	(4,016,826)	-	-	-	(4,016,826)
Special revenue funds . . . . .	-	-	-	412,172	412,172
Capital projects funds . . . . .	-	-	22,402,619	801,870	23,204,489
<b>Total fund balances (deficit) . . . . .</b>	<b><u>(3,725,460)</u></b>	<b><u>442,702</u></b>	<b><u>23,774,215</u></b>	<b><u>1,622,917</u></b>	<b><u>22,114,374</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 21,749,458</u></b>	<b><u>\$ 2,050,199</u></b>	<b><u>\$ 24,614,812</u></b>	<b><u>\$ 2,149,627</u></b>	<b><u>\$ 50,564,096</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$ 22,114,374
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,521,166
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 2,460,097	
Intergovernmental revenue	116,760	
Accrued interest	71,523	
Total	2,648,380	2,648,380
Unamortized premiums on bond issuance is not recognized in the funds.		(326,250)
Unamortized bond issuance costs are not recognized in the funds.		317,470
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(94,837)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(2,953,623)	
General obligation bonds	(25,430,483)	
Asbestos loan	(163,303)	
Total	(28,547,409)	(28,547,409)
<b>Net assets of governmental activities</b>		<b>\$ 4,632,894</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 17,482,434	\$ 1,496,819	\$ -	\$ -	\$ 18,979,253
Tuition . . . . .	27,129	-	-	-	27,129
Charges for services . . . . .	622	-	-	951,233	951,855
Earnings on investments . . . . .	102,155	83,443	526,078	8,013	719,689
Extracurricular . . . . .	2,370	-	-	647,063	649,433
Classroom materials and fees . . . . .	63,826	-	-	1,121	64,947
Other local revenues . . . . .	383,632	-	-	94,429	478,061
Other revenue . . . . .	-	-	-	11,472	11,472
Intergovernmental - State . . . . .	20,077,649	182,245	-	708,840	20,968,734
Intergovernmental - Federal . . . . .	-	-	-	2,893,140	2,893,140
Total revenue . . . . .	<u>38,139,817</u>	<u>1,762,507</u>	<u>526,078</u>	<u>5,315,311</u>	<u>45,743,713</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	19,692,681	-	-	641,783	20,334,464
Special . . . . .	3,288,281	-	-	1,357,318	4,645,599
Vocational . . . . .	288,105	-	-	-	288,105
Other . . . . .	910,345	-	-	29,615	939,960
Support Services:					
Pupil . . . . .	2,411,522	-	-	112,823	2,524,345
Instructional staff . . . . .	1,026,212	-	-	227,807	1,254,019
Board of education . . . . .	55,047	-	-	-	55,047
Administration . . . . .	2,830,754	-	-	510,072	3,340,826
Fiscal . . . . .	875,032	-	-	-	875,032
Business . . . . .	2,856	-	-	-	2,856
Operations and maintenance . . . . .	3,802,227	-	-	994	3,803,221
Pupil transportation . . . . .	2,256,546	-	-	6,095	2,262,641
Central . . . . .	1,599	-	-	-	1,599
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	1,445,400	1,445,400
Other non-instructional services . . . . .	3,565	-	-	81,772	85,337
Extracurricular activities . . . . .	534,036	-	-	453,317	987,353
Facilities acquisition and construction . . . . .	74,590	-	2,246,684	-	2,321,274
Intergovernmental pass through . . . . .	-	-	-	225,516	225,516
Debt service:					
Principal retirement . . . . .	-	26,670,123	-	-	26,670,123
Interest and fiscal charges . . . . .	-	1,485,314	-	-	1,485,314
Total expenditures . . . . .	<u>38,053,398</u>	<u>28,155,437</u>	<u>2,246,684</u>	<u>5,092,512</u>	<u>73,548,031</u>
Excess of revenues over (under) expenditures . . . . .	<u>86,419</u>	<u>(26,392,930)</u>	<u>(1,720,606)</u>	<u>222,799</u>	<u>(27,804,318)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	119,686	119,686
Transfers (out) . . . . .	(119,686)	-	-	-	(119,686)
Total other financing sources (uses) . . . . .	<u>(119,686)</u>	<u>-</u>	<u>-</u>	<u>119,686</u>	<u>-</u>
Net change in fund balances . . . . .	(33,267)	(26,392,930)	(1,720,606)	342,485	(27,804,318)
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>					
	(3,692,193)	26,835,632	25,494,821	1,286,955	49,925,215
<b>Decrease in reserve for inventory . . . . .</b>	-	-	-	(6,523)	(6,523)
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (3,725,460)</u>	<u>\$ 442,702</u>	<u>\$ 23,774,215</u>	<u>\$ 1,622,917</u>	<u>\$ 22,114,374</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**Net change in fund balances - total governmental funds** \$ (27,804,318)

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

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

Capital asset additions	\$	2,353,282	
Current year depreciation		(507,348)	
Total			1,845,934

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

Taxes		67,996	
Intergovernmental revenue		29,104	
Accrued interest		(960)	
Total			96,140

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

Accrued interest		275,153	
Accreted interest on capital appreciation bonds		(75,483)	
Bond premium		12,836	
Bond issuance costs		(12,491)	
Total			200,015

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. (6,523)

Repayment of bond, note and loan principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 26,670,123

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 225,975

**Change in net assets of governmental activities** \$ 1,227,346

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 17,276,843	\$ 17,482,434	\$ 17,482,434	\$ -
Tuition . . . . .	27,309	27,634	27,079	(555)
Charges for services . . . . .	615	622	622	-
Earnings on investments . . . . .	91,412	92,500	102,155	9,655
Extracurricular . . . . .	2,342	2,370	2,370	-
Classroom materials and fees . . . . .	65,911	66,695	63,950	(2,745)
Other local revenues . . . . .	99,193	100,373	388,759	288,386
Intergovernmental - State . . . . .	19,841,539	20,077,649	20,077,649	-
<b>Total revenue . . . . .</b>	<u>37,405,164</u>	<u>37,850,277</u>	<u>38,145,018</u>	<u>294,741</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	19,368,583	19,398,292	19,588,925	(190,633)
Special . . . . .	3,575,003	3,580,488	3,322,685	257,803
Vocational . . . . .	297,435	297,891	297,800	91
Other . . . . .	853,691	855,000	910,345	(55,345)
Support services:				
Pupil . . . . .	2,646,272	2,650,332	2,458,235	192,097
Instructional staff . . . . .	1,124,896	1,126,621	1,027,681	98,940
Board of education . . . . .	66,448	66,550	55,155	11,395
Administration . . . . .	2,859,074	2,863,459	2,769,977	93,482
Fiscal . . . . .	862,798	864,121	872,289	(8,168)
Business . . . . .	6,790	6,800	2,856	3,944
Operations and maintenance . . . . .	3,870,721	3,876,658	3,825,166	51,492
Pupil transportation . . . . .	2,451,979	2,455,740	2,394,933	60,807
Central . . . . .	290,952	291,398	291,248	150
Operation of non-instructional services . . . . .	6,595	6,605	3,587	3,018
Extracurricular activities . . . . .	577,769	578,655	536,600	42,055
Facilities acquisition and construction . . . . .	83,074	83,201	82,810	391
<b>Total expenditures . . . . .</b>	<u>38,942,080</u>	<u>39,001,811</u>	<u>38,440,292</u>	<u>561,519</u>
Excess of revenues over (under) expenditures . . . . .	<u>(1,536,916)</u>	<u>(1,151,534)</u>	<u>(295,274)</u>	<u>856,260</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	83,718	84,714	84,714	-
Transfers in . . . . .	6,817	6,898	6,898	-
Transfers (out) . . . . .	(126,390)	(126,584)	(126,584)	-
Advances in . . . . .	3,742	3,787	3,787	-
<b>Total other financing sources (uses) . . . . .</b>	<u>(32,113)</u>	<u>(31,185)</u>	<u>(31,185)</u>	<u>-</u>
Net change in fund balance . . . . .	(1,569,029)	(1,182,719)	(326,459)	856,260
<b>Fund balance at beginning of year . . . . .</b>	1,295,841	1,295,841	1,295,841	-
<b>Prior year encumbrances appropriated . . . . .</b>	601,779	601,779	601,779	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 328,591</u>	<u>\$ 714,901</u>	<u>\$ 1,571,161</u>	<u>\$ 856,260</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	<u><b>Nonmajor Enterprise Funds</b></u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . . . .	\$ 103,012
Total current assets . . . . .	<u>103,012</u>
Noncurrent assets:	
Capital assets, net. . . . .	<u>21,436</u>
Total assets . . . . .	<u>124,448</u>
<b>Liabilities:</b>	
Accrued wages and benefits . . . . .	5,463
Pension obligation payable. . . . .	702
Intergovernmental payable . . . . .	<u>147</u>
Total liabilities . . . . .	<u>6,312</u>
<b>Net assets:</b>	
Invested in capital assets . . . . .	21,436
Unrestricted. . . . .	<u>96,700</u>
Total net assets . . . . .	<u>\$ 118,136</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Nonmajor Enterprise Funds</b>
<b>Operating revenues:</b>	
Tuition and fees . . . . .	\$ 64,451
Sales/charges for services . . . . .	288
Total operating revenues . . . . .	64,739
 <b>Operating expenses:</b>	
Personal services . . . . .	30,817
Contractual services . . . . .	6,791
Materials and supplies . . . . .	11,082
Depreciation . . . . .	2,677
Total operating expenses . . . . .	51,367
Change in net assets. . . . .	13,372
<b>Net assets at beginning of year . . . . .</b>	104,764
<b>Net assets at end of year . . . . .</b>	<b>\$ 118,136</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u><b>Nonmajor Enterprise Funds</b></u>
<b>Cash flows from operating activities:</b>	
Cash received from tuition and fees . . . . .	\$ 64,451
Cash received from sales/charges for services . . . . .	288
Cash payments for personal services . . . . .	(26,140)
Cash payments for contractual services . . . . .	(6,791)
Cash payments for materials and supplies . . . . .	<u>(11,082)</u>
 Net cash provided by operating activities . . . . .	 <u>20,726</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	<u>(9,950)</u>
 Net cash used in capital and related financing activities . . . . .	 <u>(9,950)</u>
 Net increase in cash and cash equivalents . . . . .	 10,776
 <b>Cash and cash equivalents at beginning of year . . . . .</b>	 <u>92,236</u>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 103,012</u></b>
 <b>Reconciliation of operating income to net cash provided in operating activities:</b>	
Operating income . . . . .	\$ 13,372
Adjustments:	
Depreciation . . . . .	2,677
Changes in assets and liabilities:	
Increase in accrued wages and benefits . . . . .	4,283
Increase in pension obligation payable . . . . .	702
Decrease in intergovernmental payable . . . . .	<u>(308)</u>
 Net cash provided by operating activities . . . . .	 <u>\$ 20,726</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 33,676	\$ 7,891,978
Receivables:		
Accounts . . . . .	-	151
Intergovernmental . . . . .	-	239,954
	33,676	8,132,083
Total assets . . . . .	33,676	\$ 8,132,083
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 9,373
Undistributed monies . . . . .	-	8,052,639
Due to other governments . . . . .	-	31,800
Due to students . . . . .	-	38,271
	-	38,271
Total liabilities . . . . .	-	\$ 8,132,083
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	33,676	
Total net assets . . . . .	\$ 33,676	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 791
Gifts and contributions. . . . .	18,035
	18,826
Total additions. . . . .	18,826
<b>Deductions:</b>	
Scholarships awarded . . . . .	11,244
	7,582
Change in net assets . . . . .	7,582
<b>Net assets at beginning of year. . . . .</b>	<b>26,094</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 33,676</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

The District is the 67<sup>th</sup> in the State of Ohio (among 614 public school districts) in terms of total enrollment. The District is staffed by 255 non-certificated and 345 certificated personnel to provide services to approximately 4,829 students and other community members.

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

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

**A. Reporting Entity**

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

Federal League Athletic Association

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. During fiscal year 2005, the District paid \$112,514 to ACCESS for computer services. The members have an ongoing financial interest in ACCESS, however, they do not have an equity interest. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

*PUBLIC ENTITY RISK POOL*

Mahoning County School Employees Insurance Consortium

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

Stark County Schools Council Workers' Compensation Group Rating Plan

The District participates in the Stark County School Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*GOVERNMENTAL FUNDS*

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

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

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds, notes and loans payable.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15, the Superintendent and Treasury submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2005.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

**F. Cash and Investments**

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

During fiscal year 2005, investments consisted of Federal Agency securities, a U.S. government money market fund and repurchase agreements. Investments are reported at fair value, which is based on quoted market prices, with the following exception: nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2005 amounted to \$102,155, which includes \$41,715 assigned from other District funds.

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

**G. Inventory**

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

Inventories consist of donated food and purchased food.

**H. Capital Assets**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District has no internal balances at June 30, 2005.

**J. Compensated Absences**

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

**O. Parochial Schools**

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

**P. Estimates**

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

**Q. Operating Revenues and Expenses**

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**R. Capital Contributions**

Capital contributions in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The District had no capital contributions during fiscal 2005.

**S. Interfund Activity**

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

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

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$ (3,401,280)	\$ 1,375,018
GASB Technical Bulletin No. 2004-2	<u>(290,913)</u>	<u>(88,063)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (3,692,193)</u>	<u>\$ 1,286,955</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	
General	\$ 3,725,460
<u>Nonmajor Governmental Funds</u>	
Education Management Information Systems	219
Disadvantaged Pupil Impact Aid	129
Adult Basic Education	738
Entry Year Grant	14
Title VI-B	8,724
Title I	31,380
Summer Intervention	286
<u>Nonmajor Enterprise Fund</u>	
Adult Education	1,222

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$944,050, exclusive of the \$11,408,425 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,934,169 of the District's bank balance of \$2,208,036 was exposed to custodial risk as discussed below, while \$273,867 was covered by Federal Deposit Insurance Corporation.

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

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLB	\$ 16,379,525	\$ 14,650,525	\$ 1,729,000	\$ -	\$ -
FNMA	2,962,500	-	2,962,500	-	-
FHLMC	4,945,000	-	4,945,000	-	-
Repurchase Agreements	11,408,425	11,408,425	-	-	-
U.S. Government money market mutual funds	217,263	217,263	-	-	-
	<u>\$ 35,912,713</u>	<u>\$ 26,276,213</u>	<u>\$ 9,636,500</u>	<u>\$ -</u>	<u>\$ -</u>

The weighted average maturity of investments is .36 years.

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

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



**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 16,379,525	45.61%
FNMA	2,962,500	8.25%
FHLMC	4,945,000	13.77%
Repurchase Agreements	11,408,425	31.77%
U.S. Government money market mutual fund	<u>217,263</u>	<u>0.60%</u>
	<u>\$ 35,912,713</u>	<u>100.00%</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 944,050
Investments	<u>35,912,713</u>
Total	<u>\$ 36,856,763</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 28,828,097
Business type activities	103,012
Private-purpose trust funds	33,676
Agency funds	<u>7,891,978</u>
Total	<u>\$ 36,856,763</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental funds from:</u>	<u>Amount</u>
General fund	\$ 119,686

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

**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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2004 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There were no tax advances available to the District at June 30, 2005

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 496,304,180	88.82	\$ 503,307,470	89.00
Public Utility Personal	14,634,550	2.62	14,660,530	8.41
Tangible Personal Property	<u>47,831,740</u>	<u>8.56</u>	<u>47,559,910</u>	<u>2.59</u>
Total	<u>\$ 558,770,470</u>	<u>100.00</u>	<u>\$ 565,527,910</u>	<u>100.00</u>

Tax rate per \$1,000 of  
assessed valuation

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

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities**

Taxes - current and delinquent	\$ 21,319,809
Accrued interest	106,318
Accounts	33,619
Intergovernmental	<u>220,407</u>
Total receivables	<u>\$ 21,680,153</u>

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>6/30/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/05</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 502,026	\$ -	\$ -	\$ 502,026
Construction in progress	434,000	2,298,638	-	2,732,638
Total capital assets, not being depreciated	<u>936,026</u>	<u>2,298,638</u>	<u>-</u>	<u>3,234,664</u>
Capital assets, being depreciated:				
Land improvements	303,988	-	-	303,988
Building/improvements	14,367,462	-	-	14,367,462
Furniture/equipment	1,277,983	54,644	-	1,332,627
Vehicles	3,374,181	-	-	3,374,181
Textbooks	1,857,154	-	-	1,857,154
Total capital assets, being depreciated	<u>21,180,768</u>	<u>54,644</u>	<u>-</u>	<u>21,235,412</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(200,274)	(14,387)	-	(214,661)
Building/improvements	(9,683,812)	(305,012)	-	(9,988,824)
Furniture/equipment	(1,161,159)	(20,454)	-	(1,181,613)
Vehicles	(2,539,163)	(167,495)	-	(2,706,658)
Textbooks	(1,857,154)	-	-	(1,857,154)
Total accumulated depreciation	<u>(15,441,562)</u>	<u>(507,348)</u>	<u>-</u>	<u>(15,948,910)</u>
Governmental activities capital assets, net	<u>\$ 6,675,232</u>	<u>\$ 1,845,934</u>	<u>\$ -</u>	<u>\$ 8,521,166</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Furniture/equipment	\$ 21,790	\$ 9,950	\$ -	\$ 31,740
Less: accumulated depreciation	<u>(7,627)</u>	<u>(2,677)</u>	<u>-</u>	<u>(10,304)</u>
Total	<u>\$ 14,163</u>	<u>\$ 7,273</u>	<u>\$ -</u>	<u>\$ 21,436</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

<u>Instruction:</u>	<u>Amount</u>
Regular	\$ 225,272
Special	18,932
Vocational	4,415
<u>Support Services:</u>	
Pupil	9,964
Instructional staff	10,117
Administration	15,001
Fiscal	529
Operations and maintenance of plant	22,432
Pupil transportation	158,947
Operation of non-instructional services	15,298
Extracurricular activities	<u>26,441</u>
Total depreciation expense	<u>\$ 507,348</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

The following is a description of the District's asbestos loan outstanding as of June 30, 2005:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding 7/1/04</u>	<u>Issued in 2005</u>	<u>Retired in 2005</u>	<u>Outstanding 6/30/05</u>
Asbestos loan	0.00%	12/01/93	11/30/11	\$ 188,426	\$ -	\$ (25,123)	\$ 163,303
Total				<u>\$ 188,426</u>	<u>\$ -</u>	<u>\$ (25,123)</u>	<u>\$ 163,303</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

<u>Fiscal Year Ending</u>	<u>Principal on Loan</u>	<u>Interest on Loan</u>	<u>Total</u>
2006	\$ 25,123	\$ -	\$ 25,123
2007	25,123	-	25,123
2008	25,123	-	25,123
2009	25,123	-	25,123
2010	25,123	-	25,123
2011 - 2012	<u>37,688</u>	<u>-</u>	<u>37,688</u>
Total	<u>\$ 163,303</u>	<u>\$ -</u>	<u>\$ 163,303</u>

- B.** On December 18, 2003 and February 3, 2004, the District issued \$15,000,000 and \$11,000,000, respectively, in bond anticipation notes to begin various District building projects. The notes bore an annual interest rate of 2.00% and 1.62% and mature on August 31, 2004. The notes were retired using the proceeds from the District's \$26,000,000 bond issue on June 17, 2004.
- C.** During fiscal year 2004, the District issued \$26,000,000 in general obligation bonds to provide funds for various District building projects. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$25,065,000, and capital appreciation bonds, par value \$935,000. The interest rates on the current interest bonds range from 2.00% to 5.13%. The capital appreciation bonds mature on December 1, 2011 (effective interest 7.895%), December 1, 2012 (effective interest rate 8.071%, and December 1, 2013 (effective interest rate 7.915%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value reported in the Statement of Net Assets at June 30, 2005, was \$1,010,483. A total of \$75,483 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2005.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2031.

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The following is a schedule of activity for fiscal 2005 on the general obligation bonds:

	Balance <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/05</u>
Current interest bonds	\$ 25,065,000	\$ -	\$ (645,000)	\$ 24,420,000
Capital appreciation bonds	<u>935,000</u>	<u>75,483</u>	<u>-</u>	<u>1,010,483</u>
Total G.O. bonds	<u>\$ 26,000,000</u>	<u>\$ 75,483</u>	<u>\$ (645,000)</u>	<u>\$ 25,430,483</u>

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 390,000	\$ 1,150,692	\$ 1,540,692	\$ -	\$ -	\$ -
2007	440,000	1,142,062	1,582,062	-	-	-
2008	450,000	1,131,257	1,581,257	-	-	-
2009	465,000	1,118,207	1,583,207	-	-	-
2010	525,000	1,102,570	1,627,570	-	-	-
2011 - 2015	1,175,000	4,494,244	5,669,244	935,000	-	935,000
2016 - 2020	4,100,000	4,802,447	8,902,447	-	-	-
2021 - 2025	6,060,000	3,556,470	9,616,470	-	-	-
2026 - 2030	8,670,000	1,717,557	10,387,557	-	-	-
2031 - 2035	<u>2,145,000</u>	<u>54,966</u>	<u>2,199,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 24,420,000</u>	<u>\$ 20,270,472</u>	<u>\$ 44,690,472</u>	<u>\$ 935,000</u>	<u>\$ -</u>	<u>\$ 935,000</u>

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

	Balance <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/05</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities</b>					
Compensated absences payable	\$ 3,306,886	\$ 320,657	\$ (283,696)	\$ 3,343,847	\$ 541,043
Loans payable	188,426	-	(25,123)	163,303	25,123
G.O. Bonds payable	26,000,000	75,483	(645,000)	25,430,483	390,000
School improvement notes, 2003 Series	15,000,000	-	(15,000,000)	-	-
School improvement notes, 2004 Series	<u>11,000,000</u>	<u>-</u>	<u>(11,000,000)</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$55,495,312</u>	<u>\$ 396,140</u>	<u>\$ (26,953,819)</u>	<u>\$ 28,937,633</u>	<u>\$ 956,166</u>
Add: Unamortized premium on bond issue				<u>326,250</u>	
Total on statement of net assets				<u>\$ 29,263,883</u>	

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**E. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$25,909,731 (including available funds of \$442,702) and an unvoted debt margin of \$565,528.

**NOTE 10 - COMPENSATED ABSENCES**

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

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

**NOTE 11 - RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2005, the District contracted with Indiana Insurance for property, commercial inland marine, musical instruments, EDP equipment, boiler and machinery, and commercial crime insurance with a \$500 deductible.

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

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

**B. Medical Benefits**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

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

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

**C. Workers' Compensation**

The District participated in the Stark County School council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the State GRP. A participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selective criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLAN**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$771,935, \$752,640, and \$726,657, respectively; 49.14% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$392,604 represents the unpaid contribution for fiscal year 2005.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,718,915, \$2,669,999, and \$2,536,942, respectively; 82.72% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$469,820 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$4,409 made by the District and \$27,124 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$194,208 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$300,500 during the 2005 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (326,459)
Net adjustment for revenue accruals	(5,201)
Net adjustment for expenditure accruals	(29,213)
Net adjustment for other sources/uses	(88,501)
Adjustment for encumbrances	<u>416,107</u>
GAAP basis	<u>\$ (33,267)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (1,572,444)	\$ -
Current year set-aside requirement	707,632	707,632
Current year offsets	-	-
Qualifying disbursements	<u>(1,099,618)</u>	<u>(1,915,121)</u>
Total	<u>\$ (1,964,430)</u>	<u>\$ (1,207,489)</u>
Balance carried forward to FY 2006	<u>\$ (1,964,430)</u>	<u>\$ -</u>

**NOTE 17 – SIGNIFICANT SUBSEQUENT EVENT**

Douglas G. Heuer was named Superintendent in July 2005.

AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$163,332		\$131,763
21st Century Grant - CACFP	048298-LUCP-2005	10.558	10,296		10,296	
National School Lunch Program	048298-LLP4-2005	10.555	428,105		428,105	
National School Breakfast Program	048298-05PU-2005	10.553	63,140		63,140	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>501,541</b>	<b>163,332</b>	<b>501,541</b>	<b>131,763</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	048298-6BSF-2004-P	84.027			18,979	
	048298-6BSD-2004-P	84.027	86,020		140,435	
	048298-6BSF-2005-P	84.027	933,291		844,881	
Exceptional Child Grant	048298-6BSD-2005-P	84.027	18,011		8,723	
<b>Total Special Education Cluster</b>			<b>1,037,322</b>		<b>1,013,018</b>	
Adult Education- State Grant Program	048298-ABS1-2005	84.002	25,235		25,235	
Grants to Local Educational Agencies (ESEA Title I)	048298-C1S1-2004	84.010			38,959	
	048298-C1S1-2005	84.010	560,583		532,689	
<b>Total Grants to Local Educational Agencies</b>			<b>560,583</b>		<b>571,648</b>	
Innovative Educational Program Strategies	048298-C2S1-2004	84.298			4,327	
	048298-C2S1-2005	84.298	23,232		20,133	
<b>Total Innovative Educational Program Strategies</b>			<b>23,232</b>		<b>24,460</b>	
Title II-D Technology Literacy Challenge Fund Grant	048298-TJS1-2004	84.318			1,500	
	048298-TJS1-2005	84.318	14,903		3,946	
<b>Total Title II-D Technology Literacy Challenge Fund Grant</b>			<b>14,903</b>		<b>5,446</b>	
Safe/Drug Free Community	048298-T4S1-2004	84.184	9,090		9,090	
Drug-Free Schools Grant	048298-DRS1-2004	84.186			1,602	
	048298-DRS1-2005	84.186	21,339		15,041	
<b>Total Drug Free Schools Grant</b>			<b>21,339</b>		<b>16,643</b>	
21st Century Grant	048298-T1S1-2005	84.287	300,000		256,097	
Title II-A Improving Teacher Quality	048298-TRS1-2004	84.367			2,583	
	048298-TRS1-2005	84.367	186,337		180,372	
<b>Total Title II-A Improving Teacher Quality</b>			<b>186,337</b>		<b>182,955</b>	
<b>Total U.S. Department of Education</b>			<b>2,178,041</b>		<b>2,104,592</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Pass Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	Ohio Dept of MR/DD	93.767	8,420		8,420	
	Ohio Dept of MR/DD	93.778	83,778		75,538	
<b>Total Medical Assistance Program</b>			<b>92,198</b>		<b>83,958</b>	
<b>Totals</b>			<b>\$2,771,780</b>	<b>\$163,332</b>	<b>\$2,690,091</b>	<b>\$131,763</b>

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2005**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State Grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Austintown Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2006, wherein we noted the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered Austintown Local School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated March 24, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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*. In a separate letter to the District's management dated March 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

**Betty Montgomery**  
Auditor of State

March 24, 2006



## Auditor of State Betty Montgomery

### 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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Austintown Local School District, Mahoning 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 are applicable to each of its major federal programs for the year ended June 30, 2005. 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 obtain reasonable assurance about 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 Austintown Local School District's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Austintown Local School District's compliance with those requirements.

In our opinion, Austintown Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended June 30, 2005. In a separate letter to the District's management dated March 24, 2006, 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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

**Betty Montgomery**  
Auditor of State

March 24, 2006

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

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs:</b>	Title I - 84.010 21 <sup>st</sup> Century Grant - 84.287
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

<b>Finding Number</b>	
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None

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	
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None





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**AUSTINTOWN LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**