

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

AUDITED FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2009*



Mary Taylor, CPA
Auditor of State

Board of Education
East Liverpool City School District
500 Maryland Ave.
East Liverpool, Ohio 43920

We have reviewed the *Independent Auditor's Report* of the East Liverpool City School District, Columbiana County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The East Liverpool City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 5, 2010

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

AUDITED BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 25, 2010

To the Board of Education
East Liverpool City School District
Columbiana County, Ohio
500 Maryland Ave.
East Liverpool, Ohio 43920

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Liverpool City School District (the School District) as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and cash flows, where applicable for the School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

East Liverpool City School District
Independent Auditor's Report
January 25, 2010
Page 2

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The management's discussion and analysis of the District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$3,731,242, which represents a 7.72% decrease from 2008.
- General revenues accounted for \$20,663,955 in revenue or 70.58% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,612,229 or 29.42% of total revenues of \$29,276,184.
- The District had \$25,544,942 in expenses related to governmental activities; \$8,612,229 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$20,663,955 helped to provide for these programs.
- The District's major governmental funds include the general fund and the classroom facilities fund. The general fund had \$22,097,833 in revenues and other financing sources and \$21,104,244 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased by \$993,589 from \$979,339 to \$1,972,928.
- The classroom facilities fund had \$16,285,455 in revenues and other financing sources and \$15,296,802 in expenditures and other financing uses. During fiscal year 2009, the classroom facilities fund's fund balance increased by \$988,653 from \$13,845,432 to \$14,834,085.

Using these Basic Financial Statements

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

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

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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 2009?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-19 of this report.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its health insurance benefits. Because this service predominantly benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund financial statements begin on page 21.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. 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 begin on page 26 of this report.

The District as a Whole

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

The District restated net assets as detailed in Note 20. The following table provides a summary of the District's net assets for 2009 and 2008.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

	Net Assets	
	Governmental Activities 2009	Restated Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 37,244,435	\$ 46,874,118
Capital assets, net	<u>33,886,280</u>	<u>18,554,428</u>
Total assets	<u>71,130,715</u>	<u>65,428,546</u>
<u>Liabilities</u>		
Current liabilities	9,277,831	7,534,148
Long-term liabilities	<u>9,777,132</u>	<u>9,549,888</u>
Total liabilities	<u>19,054,963</u>	<u>17,084,036</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	8,379,152	18,412,644
Restricted	31,834,478	27,594,877
Unrestricted (Deficit)	<u>11,862,122</u>	<u>2,336,989</u>
Total net assets	<u>\$ 52,075,752</u>	<u>\$ 48,344,510</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$52,075,752. Of this total, \$11,862,122 is unrestricted in use.

At year-end, capital assets represented 47.64% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$8,379,152. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$31,834,478, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$11,862,122 may be used to meet the District's ongoing obligations to the students and creditors.

The following table shows the change in net assets for fiscal years 2009 and 2008.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Change in Net Assets

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008 Restated</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 981,292	\$ 977,648
Operating grants and contributions	7,630,937	6,930,299
Capital grants and contributions	0	625,112
General revenues:		
Property taxes	5,576,668	4,878,729
Grants and entitlements	14,571,860	8,705,485
Investment earnings	445,627	252,302
Payment in Lieu of Taxes	1,247	0
Other	68,553	62,141
Total revenues	<u>29,276,184</u>	<u>22,431,716</u>
Program expenses:		
Instruction:		
Regular	12,622,873	13,508,613
Special	2,513,366	2,462,953
Vocational	797,638	756,264
Adult education	6,668	7,499
Student Intervention	114,732	0
Other	189,924	91,282
Support services:		
Pupil	909,395	1,010,533
Instructional staff	1,176,493	1,212,869
Board of education	190,352	300,791
Administration	1,487,434	1,411,521
Fiscal	587,900	527,744
Business	74,629	96,455
Operations and maintenance	2,414,604	1,900,653
Pupil transportation	1,019,641	1,004,282
Central	19,677	21,300
Food service operations	841,724	965,930
Operations of non-instructional services	188,366	155,708
Extracurricular activities	370,998	359,392
Interest and fiscal charges	18,528	14,256
Total expenses	<u>25,544,942</u>	<u>25,808,045</u>
Change in net assets	<u>\$ 3,731,242</u>	<u>\$ (3,376,329)</u>

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Governmental Activities

Net assets of the District's governmental activities increased \$3,731,242. Total governmental expenses of \$25,544,942 were offset by program revenues of \$8,612,229 and general revenues of \$20,663,955. Program revenues supported 33.71% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 68.82% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,245,201 or 63.59% of total governmental expenses for fiscal year 2009.

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

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008 Restated</u>	<u>2008 Restated</u>
Program expenses				
Instruction:				
Regular	\$ 12,622,873	\$ 10,061,056	\$ 13,508,613	\$ 10,466,875
Special	2,513,366	(157,873)	2,462,953	771,189
Vocational	797,638	714,155	756,264	411,298
Adult education	6,668	6,668	7,499	0
Student Intervention	114,732	102,066	0	4,856
Other	189,924	189,924	91,282	3,584
Support services:				
Pupil	909,395	(39,207)	1,010,533	697,768
Instructional staff	1,176,493	1,144,724	1,212,869	492,003
Board of education	190,352	188,282	300,791	300,791
Administration	1,487,434	596,686	1,411,521	1,213,509
Fiscal	587,900	566,028	527,744	506,276
Business	74,629	74,629	96,455	96,455
Operations and maintenance	2,414,604	2,414,604	1,900,653	1,276,441
Pupil transportation	1,019,641	1,019,641	1,004,282	916,530
Central	19,677	19,677	21,300	20,940
Food service operations	841,724	(104,535)	965,930	(147,621)
Operations of non-instructional services	188,366	(106,209)	155,708	(6,518)
Extracurricular activities	370,998	223,869	359,392	236,354
Interest and fiscal charges	18,528	18,528	14,256	14,256
Total expenses	<u><u>\$ 25,544,942</u></u>	<u><u>\$ 16,932,713</u></u>	<u><u>\$ 25,808,045</u></u>	<u><u>\$ 17,274,986</u></u>

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The dependence upon tax and other general revenues for governmental activities is apparent, 67.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 66.29%.

The District's Funds

The District's governmental funds reported a combined fund balance of \$24,434,291, which is higher than last year's total of \$20,777,986. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Restated Fund Balance June 30, 2008	Increase	Percentage Change
General	\$ 1,972,928	\$ 979,339	\$ 993,589	101.46 %
Classroom Facilities	14,834,085	13,845,432	988,653	7.14 %
Other Governmental	<u>7,627,278</u>	<u>5,953,215</u>	<u>1,674,063</u>	<u>28.12 %</u>
Total	<u>\$ 24,434,291</u>	<u>\$ 20,777,986</u>	<u>\$ 3,656,305</u>	17.60 %

General Fund

The District's general fund balance increased \$993,589. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 3,935,735	\$ 3,768,263	\$ 167,472	4.44 %
Tuition	625,329	559,059	66,270	11.85 %
Earnings on investments	105,098	190,295	(85,197)	(44.77) %
Intergovernmental	17,361,043	17,318,193	42,850	0.25 %
Other revenues	<u>62,216</u>	<u>115,514</u>	<u>(53,298)</u>	<u>(46.14) %</u>
Total	<u>\$ 22,089,421</u>	<u>\$ 21,951,324</u>	<u>\$ 138,097</u>	0.63 %
<u>Expenditures</u>				
Instruction	\$ 14,040,206	\$ 13,786,827	\$ 253,379	1.84 %
Support services	6,710,264	6,681,136	29,128	0.44 %
Non-instructional services	355	3,026	(2,671)	(88.27) %
Extracurricular activities	204,070	168,498	35,572	21.11 %
Facilities acquisition and construction	9,940	75,794	(65,854)	(86.89) %
Debt service	<u>45,871</u>	<u>49,694</u>	<u>(3,823)</u>	<u>(7.69) %</u>
Total	<u>\$ 21,010,706</u>	<u>\$ 20,764,975</u>	<u>\$ 245,731</u>	1.18 %

Overall, revenues and expenditures remained relatively stable for the general fund, based on operations reported on the modified basis of accounting.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

The classroom facilities fund had \$16,285,455 in revenues and \$15,296,802 in expenditures. During fiscal 2009, the classroom facilities fund's fund balance increased \$988,653 from \$13,845,432 to \$14,834,085. The increase in fund balance is due to revenues from the Ohio School Facilities Commission outpacing the expenditures for the District's construction project.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$21,568,287 and final budgeted revenues and other financing sources were \$21,854,492. Actual revenues and other financing sources for fiscal year 2009 was \$22,524,661. This represents a \$956,374 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$23,570,442 were decreased \$832,031 to \$22,738,411 in the final budget. The actual budget basis expenditures for fiscal year 2009 totaled \$22,311,974, which was a decrease of \$426,437 from final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets as described in Note 20. At the end of fiscal year 2009, the District had \$33,826,280 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	Restated 2008
Land	\$ 42,269	\$ 42,269
Land improvements	960,009	1,060,638
Building and improvements	8,883,797	9,159,252
Furniture and equipment	1,564,944	1,653,581
Vehicles	538,490	259,700
Construction in progress	21,896,771	6,378,988
Total	\$ 33,886,280	\$ 18,554,428

The increase in capital assets was a result of additions of \$16,086,989, current year depreciation expense of \$734,685 and net disposals of \$20,452. See Note 8 to the basic financial statements for additional information on the District's capital assets.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Debt Administration

At June 30, 2009, the District had \$7,900,000 in school improvement bonds and \$471,446 in lease obligations outstanding. Of this total, \$98,184 is due within one year and \$8,273,262 is due in greater than one year. The following table summarizes the bonds, loans and leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2009	Restated Governmental Activities 2008
School improvement bonds	\$ 7,900,000	\$ 7,900,000
Lease obligations	471,446	141,784
Total	\$ 8,371,446	\$ 8,041,784

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

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

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

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

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

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

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

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

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

As the District moved towards the 2010 school year, it remains clear that the District is at a financial and operational crossroad. Financially, with 70% of the District's budget driven by personnel and benefit costs and largely required services projected to absorb another 22% of the District's budget, revenue enhancements, spending reductions (affecting staffing levels) or a combination thereof remain needed for the long term financial health of the District. The District's plans in the past and projected into the future have largely focused on spending restraint.

East Liverpool City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

With approval by voters of a 3.2 mill bond issue in May 2002, the District and the Ohio School Facility Commission entered into an agreement in March 2003 for facilities renovations, additions, and improvements to existing buildings. Under the original project agreement, the State was to have provided \$51,982,022 or 87% of total project funding and the District was to have provided \$7,769,000 or 13% of total project funding sourced from proceeds of the above mentioned bond issue. The total project budget was to have been \$59,751,022.

With a significant modification to enrollment projections, the original project agreement was amended in June 2005 to reflect a reduction in the project. The State is to provide \$44,746,918 or 87% of total project funding and the District is to provide \$6,687,674 or 13% of project funding. The total project budget was reduced to \$51,434,592.

In addition, a modest maintenance levy, approved by the voters along with the facilities issue, offers the potential of helping to maintain school district buildings and provide needed technology. The facilities program offers its residents better educational opportunities for its youth and represents a positive development in the community. As of June 30, 2007, the facilities program had progressed to the construction and renovation phase at North Elementary. In March 2008, North Elementary returned to service. As of June 30, 2008, contracts had been approved for the renovation of the East Liverpool High School and bids for the renovation of LaCroft Elementary were expected to be received within the next several months. As of June 30, 2009, East Liverpool High School and LaCroft Elementary projects were underway and about 50% complete.

Contacting the District's Financial Management

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

East Liverpool City School District
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 26,844,536
Cash and Investments with Fiscal Agents	3,338,931
Receivables:	
Accounts	1,946
Taxes	4,916,753
Intergovernmental	1,986,709
Accrued Interest	15,921
Deferred Charges	48,450
Prepays	29,462
Material and Supplies Inventory	61,727
Nondepreciable Capital Assets	21,939,040
Depreciable Capital Assets (Net)	11,947,240
<i>Total Assets</i>	71,130,715
Liabilities	
Accounts Payable	222,193
Contracts Payable	2,366,314
Accrued Wages and Benefits	1,787,910
Accrued Vacation Leave Payable	119,562
Intergovernmental Payable	767,176
Deferred Revenue	3,738,110
Claims Payable	276,566
Long Term Liabilities:	
Due Within One Year	344,888
Due In More Than One Year	9,432,244
<i>Total Liabilities</i>	19,054,963
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,379,152
Restricted for:	
Debt Service	970,921
Capital Projects	27,865,912
Other Purposes	2,997,645
Unrestricted	11,862,122
<i>Total Net Assets</i>	\$ 52,075,752

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 12,622,873	\$ 590,373	\$ 1,971,444	\$ (10,061,056)
Special	2,513,366	3,464	2,667,775	157,873
Vocational	797,638	0	83,483	(714,155)
Adult Education	6,668	0	0	(6,668)
Student Intervention	114,732	4,577	8,089	(102,066)
Other	189,924	0	0	(189,924)
Support Services:				
Pupils	909,395	0	948,602	39,207
Instructional Staff	1,176,493	0	31,769	(1,144,724)
Board of Education	190,352	0	2,070	(188,282)
Administration	1,487,434	25,046	865,702	(596,686)
Fiscal	587,900	0	21,872	(566,028)
Business	74,629	0	0	(74,629)
Operation and Maintenance of Plant	2,414,604	0	0	(2,414,604)
Pupil Transportation	1,019,641	0	0	(1,019,641)
Central	19,677	0	0	(19,677)
Operation of Non-Instructional Services	188,366	0	294,575	106,209
Food Service Operations	841,724	217,116	729,143	104,535
Extracurricular Activities	370,998	140,716	6,413	(223,869)
Interest and Fiscal Charges	18,528	0	0	(18,528)
<i>Total Governmental Activities</i>	<u>\$ 25,544,942</u>	<u>\$ 981,292</u>	<u>\$ 7,630,937</u>	<u>(16,932,713)</u>

General Revenues

Property Taxes Levied for:

General Purposes	5,225,353
Debt Service	284,950
Other Purposes	66,365
Grants and Entitlements not Restricted to Specific Programs	14,571,860
Investment Earnings	445,627
Payment in Lieu of Taxes	1,247
Miscellaneous	68,553

Total General Revenues 20,663,955

Change in Net Assets 3,731,242

Net Assets Beginning of Year (Restated) 48,344,510

Net Assets End of Year \$ 52,075,752

See accompanying notes to the basic financial statements.

East Liverpool City School District
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Investments	\$ 3,876,655	\$ 17,201,123	\$ 5,766,758	\$ 26,844,536
Cash and Investments with Fiscal Agent	0	0	2,465,474	2,465,474
Receivables:				
Accounts	1,523	0	423	1,946
Taxes	4,201,621	0	366,012	4,567,633
Interfund	76,493	0	0	76,493
Intergovernmental	3,180	1,379,026	604,503	1,986,709
Accrued Interest	12,662	3,259	0	15,921
Prepays	29,462	0	0	29,462
Materials and Supplies Inventory	21,039	0	40,688	61,727
<i>Total Assets</i>	<u>\$ 8,222,635</u>	<u>\$ 18,583,408</u>	<u>\$ 9,243,858</u>	<u>\$ 36,049,901</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 90,468	\$ 3,983	\$ 127,742	\$ 222,193
Contracts Payable	0	2,366,314	0	2,366,314
Accrued Wages and Benefits	1,429,874	0	358,036	1,787,910
Interfund Payable	0	0	76,493	76,493
Intergovernmental Payable	660,360	0	106,816	767,176
Deferred Revenue	4,069,005	1,379,026	947,493	6,395,524
<i>Total Liabilities</i>	<u>6,249,707</u>	<u>3,749,323</u>	<u>1,616,580</u>	<u>11,615,610</u>
Fund Balances				
Reserved for Encumbrances	383,903	12,991,811	313,517	13,689,231
Reserved for Prepays	29,462	0	0	29,462
Reserved for Inventory	21,039	0	40,688	61,727
Reserved for Tax Revenue Unavailable for Appropriation	132,616	0	10,847	143,463
Unreserved, Undesignated, Reported in:				
General Fund	1,405,908	0	0	1,405,908
Special Revenue Funds	0	0	2,165,047	2,165,047
Capital Projects Funds	0	1,842,274	2,358,652	4,200,926
Debt Service Fund	0	0	2,738,527	2,738,527
<i>Total Fund Balances</i>	<u>1,972,928</u>	<u>14,834,085</u>	<u>7,627,278</u>	<u>24,434,291</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,222,635</u>	<u>\$ 18,583,408</u>	<u>\$ 9,243,858</u>	<u>\$ 36,049,901</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
*Reconciliation of Total Governmental Fund Balances to
Net Assets Governmental Activities
June 30, 2009*

Total Governmental Fund Balances	\$	24,434,291
 <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.		33,886,280
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 592,328	
Ohio School Facilities Commission	1,379,026	
Delinquent Property Taxes	1,035,180	3,006,534
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
QZAB Bonds	7,900,000	
Capital Lease Obligation	471,446	(8,371,446)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		596,891
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Deferred Charges-Issuance Costs	48,450	
Compensated Absences	(1,360,686)	
Early Retirement Incentive Payable	(45,000)	
Accrued Vacation Payable	(119,562)	(1,476,798)
<i>Net Assets of Governmental Activities</i>	\$	52,075,752

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,935,735	\$ 0	\$ 317,139	\$ 4,252,874
Intergovernmental	17,361,043	16,009,266	5,527,449	38,897,758
Investment Income	105,098	276,189	159,159	540,446
Tuition and Fees	625,329	0	0	625,329
Extracurricular Activities	0	0	138,847	138,847
Charges for Services	0	0	217,116	217,116
Rentals	6,975	0	0	6,975
Gifts and Donations	1,250	0	13,594	14,844
Payment in Lieu of Taxes	1,150	0	97	1,247
Miscellaneous	52,841	0	18,092	70,933
<i>Total Revenues</i>	<u>22,089,421</u>	<u>16,285,455</u>	<u>6,391,493</u>	<u>44,766,369</u>
Expenditures				
Current:				
Instruction:				
Regular	10,312,719	0	2,111,068	12,423,787
Special	2,559,716	0	8,957	2,568,673
Vocational	877,505	0	84,996	962,501
Adult Education	3	0	6,665	6,668
Student Intervention	114,725	0	7	114,732
Other	175,538	0	0	175,538
Support Services:				
Pupils	633,602	0	284,840	918,442
Instructional Staff	496,108	0	705,904	1,202,012
Board of Education	189,852	0	500	190,352
Administration	1,188,410	0	319,165	1,507,575
Fiscal	562,462	34	30,875	593,371
Business	42,361	2,163	0	44,524
Operation and Maintenance of Plant	2,626,886	951,647	7,964	3,586,497
Pupil Transportation	970,583	0	375,907	1,346,490
Central	0	0	2,752	2,752
Operation of Non-Instructional Services	355	0	188,645	189,000
Food Service Operations	0	0	847,069	847,069
Extracurricular Activities	204,070	0	157,185	361,255
Capital Outlay	9,940	14,342,958	33,119	14,386,017
Debt Service:				
Principal Retirement	40,338	0	0	40,338
Interest and Fiscal Charges	5,533	0	6,938	12,471
<i>Total Expenditures</i>	<u>21,010,706</u>	<u>15,296,802</u>	<u>5,172,556</u>	<u>41,480,064</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	1,078,715	988,653	1,218,937	3,286,305
Other Financing Sources (Uses)				
Transfers In	6,381	0	91,507	97,888
Inception of Capital Lease	0	0	370,000	370,000
Transfers Out	(91,507)	0	(6,381)	(97,888)
<i>Total Financing Sources and (Uses)</i>	<u>(85,126)</u>	<u>0</u>	<u>455,126</u>	<u>370,000</u>
<i>Net Change in Fund Balance</i>	993,589	988,653	1,674,063	3,656,305
<i>Fund Balance at Beginning of Year , (Restated, See Note 20)</i>	<u>979,339</u>	<u>13,845,432</u>	<u>5,953,215</u>	<u>20,777,986</u>
<i>Fund Balance at End of Year</i>	<u>\$ 1,972,928</u>	<u>\$ 14,834,085</u>	<u>\$ 7,627,278</u>	<u>\$ 24,434,291</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds	\$	3,656,305
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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 the additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 16,086,989	
Current Year Depreciation	<u>(734,685)</u>	15,352,304
Net effect of transactions involving the disposal of capital assets are not reflected in the funds		
		(20,452)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Grants	592,328	
Ohio School Facilities Commission	(17,124,397)	
Delinquent Property Taxes	<u>1,035,180</u>	(15,496,889)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Lease		40,338
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(7,402)	
Accrued Vacation Payable	<u>(13,796)</u>	(21,198)
The issuance of capital leases and general obligation bonds and related activities are expenditures and other financing sources and uses in the governmental funds, but these but these transactions are reflected in the statement of net assets as long-term assets and liabilities.		
Inception of Capital Lease	(370,000)	
Deferred Charges- Amortization	<u>(6,057)</u>	(376,057)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service fund is reported with governmental activities.		
		<u>596,891</u>
Change in Net Assets of Governmental Activities	\$	<u>3,731,242</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 3,280,000	\$ 3,329,113	\$ 3,931,386	\$ 602,273
Intergovernmental	17,434,035	17,435,589	17,367,552	(68,037)
Investment Income	168,738	171,265	109,428	(61,837)
Tuition and Fees	614,651	623,854	623,080	(774)
Rent	8,084	8,205	6,975	(1,230)
Gifts and Donations	0	0	1,250	1,250
Payments in Lieu of Taxes	6,387	6,483	1,150	(5,333)
Miscellaneous	42,476	43,112	50,076	6,964
<i>Total Revenues</i>	<u>21,554,371</u>	<u>21,617,621</u>	<u>22,090,897</u>	<u>473,276</u>
Expenditures:				
Current:				
Instruction	15,098,755	14,395,929	14,348,899	47,030
Support Services:				
Pupils	866,450	700,387	668,416	31,971
Instructional Staff	646,225	620,885	552,558	68,327
Board of Education	161,634	325,301	257,480	67,821
Administration	1,489,246	1,187,052	1,187,944	(892)
Fiscal	505,457	567,304	572,321	(5,017)
Business	97,471	149,532	123,594	25,938
Operation and Maintenance of Plant	2,840,819	2,895,111	2,905,034	(9,923)
Pupil Transportation	1,163,467	1,180,948	1,023,634	157,314
Operation of Non-Instructional Services	1,784	1,305	500	805
Extracurricular Activities	314,231	234,153	201,091	33,062
Capital Outlay	25,029	36,227	9,940	26,287
Debt Service:				
Issuance Costs	12,980	0	0	0
<i>Total Expenditures</i>	<u>23,223,548</u>	<u>22,294,134</u>	<u>21,851,411</u>	<u>442,723</u>
Excess of Revenues Over (Under) Expenditures	(1,669,177)	(676,513)	239,486	915,999
Other Financing Sources (Uses):				
Transfers In	10,790	10,952	6,381	(4,571)
Refund of Prior Year Receipts	3,098	46	3,144	3,098
Proceeds from Sale of Capital Assets	28	0	28	28
Advance In	(112,659)	225,873	422,180	196,307
Advance Out	(234,235)	(354,047)	(367,025)	(12,978)
Transfers Out	0	(90,230)	(91,507)	(1,277)
<i>Total Other Financing Sources (Uses)</i>	<u>(332,978)</u>	<u>(207,406)</u>	<u>(26,799)</u>	<u>180,607</u>
<i>Net Change in Fund Balance</i>	(2,002,155)	(883,919)	212,687	1,096,606
<i>Fund Balance at Beginning of Year</i>	2,680,566	2,680,566	2,680,566	0
Prior Year Encumbrances Appropriated	530,623	530,623	530,623	0
<i>Fund Balance at End of Year</i>	<u>\$ 1,209,034</u>	<u>\$ 2,327,270</u>	<u>\$ 3,423,876</u>	<u>\$ 1,096,606</u>

See accompanying notes to the basic financial statements.

East Liverpool City School District

Statement of Net Assets

Proprietary Fund

June 30, 2009

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and Cash Equivalents with Fiscal Agents	\$ 873,457
<i>Total Assets</i>	<u>873,457</u>
Liabilities	
Current Liabilities:	
Claims Payable	276,566
<i>Total Current Liabilities</i>	<u>276,566</u>
Net Assets	
Unrestricted	<u>596,891</u>
<i>Total Net Assets</i>	<u><u>\$ 596,891</u></u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
<hr/>	
Operating Revenues:	
Charges for services	\$ 2,109,522
<i>Total Operating Revenues</i>	<u>2,109,522</u>
Operating Expenses:	
Purchased services	537,625
Claims	<u>981,710</u>
<i>Total Operating Expenses</i>	<u>1,519,335</u>
<i>Operating Income (Loss)</i>	590,187
Non-Operating Revenues (Expenses)	
Interest	<u>6,704</u>
<i>Change in Net Assets</i>	596,891
<i>Net Assets (Deficit) Beginning of Year</i>	<u>0</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$ 596,891</u></u>

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:	
Cash Paid for Goods and Services	\$ 2,109,522
Cash Paid for Administrative Costs	(537,625)
Cash Paid for Claims	(705,144)
<i>Net Cash Provided By (Used For) Operating Activities</i>	866,753
Cash Flows From Investing Activities:	
Interest on Investments	6,704
<i>Net Cash Provided By (Used For) Investing Activities</i>	6,704
 <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	 873,457
 <i>Cash and Cash Equivalents at Beginning of Year</i>	 0
 <i>Cash and Cash Equivalents at End of Year</i>	 \$ 873,457
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	\$ 590,187
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	276,566
<i>Total Adjustments</i>	276,566
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 866,753

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2009

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 11,320	\$ 43,082
Accounts Receivable	0	7
<i>Total Assets</i>	11,320	43,089
Liabilities		
Accounts Payable	0	\$ 286
Intergovernmental Payable	0	194
Due to Students	0	42,609
<i>Total Liabilities</i>	0	43,089
Net Assets		
Held in Trust for Scholarships	11,320	
<i>Total Net Assets</i>	\$ 11,320	

See accompanying notes to the basic financial statements.

East Liverpool City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Ended June 30, 2009

	Private Purpose Trust
Additions	
Interest	\$ 74
<i>Total Additions</i>	74
Deductions	
Payments in Accordance with Trust Agreements	2,580
<i>Total Deductions</i>	2,580
<i>Change in Net Assets</i>	(2,506)
<i>Net Assets Beginning of Year</i>	13,826
<i>Net Assets End of Year</i>	\$ 11,320

See accompanying notes to the basic financial statements.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE DISTRICT

East Liverpool City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The District operates under a locally-elected five member Board and provides educational services as mandated by State and Federal agencies. It is staffed by 170 non-certified employees, 96 certified full-time teaching personnel and 25 administrative employees who provide services to 2,276 students and other community members. The District currently operates four instructional buildings, one administrative building and one bus garage.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The following activities are included within the reporting entity:

Non-Public Schools

Within the District boundaries, St. Aloysius Catholic School is operated through the Catholic Diocese of Youngstown and East Liverpool Christian School is operated as a private school. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. These transactions are reported in a special revenue fund and as a governmental activity of the District.

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Education Service System (ACCESS)

Area Cooperative Education Service System (ACCESS) is a computer network which provides data services to twenty-three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo, Suite 105, Youngstown, Ohio 44512. During the year ended June 30, 2009, the District paid \$84,841 to ACCESS for basic service charges.

Columbiana County Career and Technology Center

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

The District also participates in a claims servicing pool, Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, which is presented in Note 21.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

Classroom Facilities Fund - The classroom facilities fund accounts for the proceeds of notes and bonds as well as grants for the building and equipping of classroom facilities.

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has the following proprietary fund type:

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District's only internal service fund accounts for a self-insurance program for employee healthcare and prescription drug benefits.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

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

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

D. Basis of Accounting

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

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

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

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue on the governmental fund financial statements.

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

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

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

E. Budgetary Data

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

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

Estimated Resources: Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. On or before July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

appropriation measure. On or before July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the original and final amended certificates of estimated resources issued during fiscal year 2009.

Appropriations: Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted during fiscal year 2009; however, none of the amendments were significant.

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

Encumbrances: As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in various bank accounts. 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 investments" on the basic financial statements.

During fiscal year 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), certificates of deposits and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$105,098, which includes \$91,055 assigned from other funds.

The District participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the District's various bank accounts. The Jefferson County Educational Service Center serves as the fiscal agent for the insurance company.

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15 - 40 years
Building improvements	25 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Interfund Balances

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

J. Compensated Absences

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

L. Fund Balance Reserves and Designations

The District reserves those portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, materials and supplies inventory, prepayments, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

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

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

N. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Unamortized Bond Issuance Costs

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

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Q. Interfund Activity

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary fund. For the District, these revenues are charges for services self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Implementation of New Accounting Policies

For the year ended June 30, 2009, the District has implemented GASB Statement No. 52, *“Land and Other Real Estate Held as Investments by Endowments”*, GASB Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, and GASB Statement No. 56, *“Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the District.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

Nonmajor Governmental Funds:	
Vocational Education	\$ 2,656
IDEA Preschool Grant	154
SchoolNet	7,160

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$15,109,175. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$6,023,157 of the District's bank balance of \$15,422,071 was exposed to custodial risk as discussed below, while \$9,398,914 was covered by the Federal Deposit Insurance Corporation (FDIC).

The District participates in the OME-RESA insurance consortium for employee benefits. The amount held at fiscal year end for the employee benefit self-insurance fund was \$873,457. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All uninsured 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 uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

Entity	Fair Value	Investment Maturities In Years 0-1	Percentage
Federal Home Loan Mtg Corp	\$ 2,465,474	\$ 2,465,474	17.30%
STAROhio	11,789,763	11,789,763	82.70%
	<u>\$ 14,255,237</u>	<u>\$ 14,255,237</u>	<u>100.00%</u>

As of June 30, 2009, \$2,465,474 is held with a Fiscal Account in the District's name. These monies are held for the costs associated with a lease-purchase agreement for QZAB Academy Bonds

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

Credit Risk: The District's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAROhio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name.

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

Concentration of Credit Risk: The District places no limit on the amount it may invest in any one issuer. See percentages above.

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	Transfer In	Transfer Out
General Fund	\$ 6,381	\$ 91,507
Other Governmental Fund:		
Bond Retirement	0	331
Public School Support	2,541	0
Athletics	88,966	6,050
	<u>\$ 97,888</u>	<u>\$ 97,888</u>

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfers into the general fund from other nonmajor governmental funds were to transfer residual equity and to reimburse for costs incurred.

B. Interfund loans receivable and payable consisted of the following at June 30, 2009, as reported on the fund statement:

	Interfund Receivable	Interfund Payable
General Fund	\$ 76,493	\$ 0
Nonmajor Governmental Fund:		
Food Service Operations	0	572
Athletics	0	8,461
IDEA-B	0	35,425
Vocational Educational	0	10,956
Improving Teacher Quality	0	3,790
Miscellaneous Federal Grants	0	10,129
SchoolNet	0	7,160
Total	\$ 76,493	\$ 76,493

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Columbiana County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2009, was \$143,463 and is recognized as revenue. \$132,616 was available to the general fund, \$8,659 to the debt service fund, and \$2,198 to the classroom facilities fund.

On the 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 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 181,689,720	89.12%	\$ 151,149,230	89.67%
Public Utility	9,160,470	4.49%	9,016,810	5.35%
Tangible Personal Property	13,029,320	6.39%	8,392,920	4.98%
	<u>\$ 203,879,510</u>	<u>100.00%</u>	<u>\$ 168,558,960</u>	<u>100.00%</u>

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, interfund 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. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Restated Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 42,269	\$ 0	\$ 0	\$ 42,269
Construction in Progress	6,378,988	15,517,783	0	21,896,771
Total Capital Assets, not being depreciated	<u>6,421,257</u>	<u>15,517,783</u>	<u>0</u>	<u>21,939,040</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,221,990	0	0	2,221,990
Buildings and Improvements	20,738,634	0	0	20,738,634
Furniture and Equipment	5,731,186	203,841	(1,137)	5,933,890
Vehicles	1,488,460	365,365	(197,821)	1,656,004
Total Capital Assets, being depreciated	<u>30,180,270</u>	<u>569,206</u>	<u>(198,958)</u>	<u>30,550,518</u>
Less Accumulated Depreciation:				
Land Improvements	(1,161,352)	(100,629)	0	(1,261,981)
Buildings and Improvements	(11,579,382)	(275,455)	0	(11,854,837)
Furniture and Equipment	(4,077,605)	(291,809)	468	(4,368,946)
Vehicles	(1,228,760)	(66,792)	178,038	(1,117,514)
Total Accumulated Depreciation	<u>(18,047,099)</u>	<u>(734,685)</u>	<u>178,506</u>	<u>(18,603,278)</u>
Total Capital Assets being depreciated, net	<u>12,133,171</u>	<u>(165,479)</u>	<u>(20,452)</u>	<u>11,947,240</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,554,428</u>	<u>\$ 15,352,304</u>	<u>\$ (20,452)</u>	<u>\$ 33,886,280</u>

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 490,360
Special	3,126
Vocational	30,607
Other	14,386
Support Services:	
Pupils	1,896
Instructional Staff	8,260
Administration	21,262
Fiscal	887
Business	39,412
Operation and Maintenance of Plant	34,288
Pupil Transportation	54,119
Central	16,925
Non-instructional services	1,747
Extracurricular Activities	9,743
Food Service Operations	7,667
	\$ 734,685

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District entered into a capitalized lease for copier equipment and buses. These lease agreements meet the criteria of a capital leases as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2009, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$575,132, which represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$40,338 paid by the general fund.

The following schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

Year	Amount
2010	\$ 110,354
2011	128,648
2012	97,190
2013	81,982
2014	82,507
	500,681
Less amount representing interest	29,235
Present Value of Minimum Lease Payments	\$ 471,446

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

The beginning balance of long-term obligations has been restated to report the full amount of the QZAB School Improvement Bonds that were outstanding. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	Restated Balance Outstanding 6/30/2008	Additions	Reductions	Balance Outstanding 6/30/2009	Amounts Due in One Year
Governmental Activities:					
Bonds:					
2003 QZAB school improvement bonds	\$ 7,900,000	\$ 0	\$ 0	\$ 7,900,000	\$ 0
Compensated Absences	1,471,475	7,402	118,191	1,360,686	201,704
Early Retirement Incentive Payable	45,000	0	0	45,000	45,000
Capital Leases	141,784	370,000	40,338	471,446	98,184
Total Governmental Activities Long-Term Liabilities	<u>\$ 9,558,259</u>	<u>\$ 377,402</u>	<u>\$ 158,529</u>	<u>\$ 9,777,132</u>	<u>\$ 344,888</u>

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

The principal requirement amounts do not total \$7,900,000. The District will be making annual sinking fund payments over a fifteen year period to Bank One Trust Company, its escrow agent which will invest the sinking fund dollars at an interest rate that will generate at least \$1,974,094 over the loan period, the difference between the sinking payments and the bond principal. It is the assumption of the District that the money in the sinking fund will be invested and earn enough interest to allow the QZABs to be paid in full in March 2018.

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

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

C. Health Insurance

During the fiscal year, the District joined OME_RESA's self-insurance plan (see Note 21) for its medical and dental insurance programs. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000 per employee. The liability for unpaid claims of \$276,566 is reported in the internal service fund at June 30, 2009, in accordance with Governmental Accounting Standards Board Statement No. 10. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

	Balance <u>Beginning of Year</u>	Current Year <u>Claims</u>	Claims <u>Payments</u>	Balance <u>End of Year</u>
2009	\$ 0	\$ 981,710	\$ (705,144)	\$ 276,566

D. Retirement Incentive Bonus

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted for various types of insurance through the Ohio School Insurance Program. Coverage provided is as follows:

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

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

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

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 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 2009, 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 statutory maximum amounts, by the SERS’ Retirement Board. The District’s contributions to SERS for the years ended June 30, 2009, 2008 and 2007 were \$230,650, \$227,484 and \$256,408, respectively; 38% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available,

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. 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 DB 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,164,680, \$1,294,581 and \$1,397,716, respectively; 83% has been contributed for fiscal year 2009 and 100% for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$1,286 made by the District and \$40,815 made by the plan members.

C. Social Security System

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2009, the health care allocation was 4.16%, at June 30, 2008 and 2007 the allocation was 4.18% and 3.32%, respectively. The District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$105,556, \$155,090, and \$136,409, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75% and for fiscal years 2008 and 2007 the required allocation was .66% and .68%, respectively. The District contributions for the fiscal years 2009, 2008 and 2007 were \$19,031, \$16,391 and \$17,436, respectively.

B. State Teachers Retirement System

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The District's contributions for fiscal years ended June 30, 2009, 2008 and 2007 were \$89,591, \$99,583 and \$107,517, respectively.

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. A statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented in the basic financial statements for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP);
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP);
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP); and

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	
	General
Budget Basis	\$ 212,687
Net Adjustment for Revenue Accruals	(429,368)
Net Adjustment for Expenditure Accruals	740,507
Encumbrances (Budget Basis)	469,763
GAAP Basis	\$ 993,589

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 17 - STATUTORY RESERVES

School Districts are required by state statute to annually set-aside an amount based on a statutory formula for the purchase of textbooks and other instructional material and an equal amount for the acquisition and construction of capital improvements. However the District, under O.R.C. 3315.17 and 3315.18, elected to suspend contributions into the textbooks and instructional materials for the fiscal year, since the District has been declared to be in Fiscal Emergency by the State of Ohio.

NOTE 18 - FISCAL EMERGENCY

On December 18, 2003, the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State under Section 3316.03B(5) of the Ohio Revised Code. As of June 30, 2009, the "Fiscal Emergency" was discontinued.

NOTE 19 - CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2009, the District had the following outstanding contractual commitments at fiscal year-end:

Project	Contract Amount	Amount Paid	Amount Outstanding
Lacroft Elementary School	\$ 11,610,707	\$ 5,202,357	\$ 6,408,350
North Elementary School	7,900,595	7,889,215	11,380
East Liverpool High School	14,899,396	8,659,123	6,240,273
District Wide Kitchen Package	359,948	0	359,948
	<u>\$ 34,770,646</u>	<u>\$ 21,750,695</u>	<u>\$ 13,019,951</u>

NOTE 20 – RESTATEMENT OF FUND BALANCES/NET ASSETS

A. Restatement of Fund Balances

Fund balances have been restated at July 1, 2008, to account for the omission of cash with fiscal agent for the QZAB bond. The adjustments had the following effect on governmental activities net assets as previously reported:

	General Fund	Classroom Facilities	Other Governmental Funds	Totals
Beginning fund balances, June 30, 2008	\$ 979,339	\$ 13,845,432	\$ 4,117,243	\$ 18,942,014
Cash with fiscal agent	0	0	1,835,972	1,835,972
Beginning fund balances, July 1, 2008	<u>\$ 979,339</u>	<u>\$ 13,845,432</u>	<u>\$ 5,953,215</u>	<u>\$ 20,777,986</u>

East Liverpool City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. Restatement of Net Assets

Net assets have been restated at July 1, 2008, to account for the omission of cash with fiscal agent and the debt related to the QZAB bond, correction to capital assets for construction in progress and receivable with the Ohio School Facilities Commission. The adjustments had the following effect on governmental activities net assets as previously reported:

Governmental activities net assets, June 30, 2008	\$ 53,450,016
Adjustments:	
Capital assets	1,638,791
Cash with fiscal agent	1,835,792
Intergovernmental receivable	(6,744,297)
Long term debt - QZAB	(1,835,792)
Governmental activities net assets, July 1, 2008	<u><u>\$ 48,344,510</u></u>

NOTE 21 – CLAIMS SERVICING POOL

Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan (OME-RESA- The District began participating in the OME-RESA self-insurance plan during the 2009 fiscal year, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. The District paid \$537,625 to OME-RESA during fiscal year 2009 for services. All participating members retain their risk and the Plan acts as the claims servicing agent.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 25, 2010

To the Board of Education
East Liverpool City School District
500 Maryland Ave.
East Liverpool, Ohio 43920

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Liverpool City School District (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated January 25, 2010. 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 East Liverpool City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting: 2009-001.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the management of East Liverpool City School District in a separate letter dated January 25, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Liverpool City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that we have reported to management of East Liverpool City School District in a separate letter dated January 25, 2010.

East Liverpool City School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs, and we did not audit their response, and accordingly, we express no opinion on it.

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

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 25, 2010

To the Board of Education
East Liverpool City School District
500 Maryland Ave.
East Liverpool, Ohio 43920

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

Compliance

We have audited the compliance of the East Liverpool City School District (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 its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the District's management. 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 Circulars A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 2009-002 and 2009-003 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding reporting expenditures on project cash requests applicable to Title II-A and the Special Education Cluster. Also, the District did not comply with requirements regarding the reevaluation of individualized education plans, as applicable to the Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

East Liverpool City School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit East Liverpool City School District's response, and accordingly, we express no opinion on it.

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

Hea & Associates, Inc.

EAST LIVERPOOL CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	2009	10.553	\$ 164,461		\$ 164,461	
National School Lunch Program	2009	10.555	572,130		572,130	
Food Commodity Distribution	2009	10.555		\$ 58,365		\$ 58,365
Total Child Nutrition Cluster			736,591	58,365	736,591	58,365
Total U.S. Department of Agriculture			736,591	58,365	736,591	58,365
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2008	84.027	-		102,239	
	2009	84.027	581,014		479,283	
Total Special Education - Grants to States (IDEA Part B)			581,014		581,522	
Special Education - Preschool Grants	2008	84.173	2,340		2,341	
	2009	84.173	19,091		16,828	
Total Special Education - Preschool Grants			21,431		19,169	
Total Special Education Cluster			602,445		600,691	
Grants to Local Educational Agencies (Title I)	2008	84.010	133,033		166,457	
	2009	84.010	1,355,330		1,133,273	
Total Grants to Local Educational Agencies (Title I)			1,488,363		1,299,730	
Safe and Drug Free Schools (Title IV-A)	2009	84.186	9,802		7,849	
Total Safe and Drug Free Schools (Title IV-A)			9,802		7,849	
Innovative Education Program Strategies (Title V)	2009	84.298	3,719		5,348	
Total Innovative Education Program Strategies (Title V)			3,719		5,348	
Technology Literacy Quality State Grants (Title II-D)	2008	84.318	-		631	
	2009	84.318	9,238		10,880	
Total Technology Literacy Quality State Grants (Title II-D)			9,238		11,511	
Rural and Low Income (Title VI-B)	2008	84.358	-		408	
	2009	84.358	45,629		38,654	
Total Rural and Low Income (Title VI-B)			45,629		39,062	
Improving Teacher Quality State Grants (Title II-A)	2008	84.367	-		35,805	
	2009	84.367	353,431		265,887	
Total Improving Teacher Quality State Grants (Title II-A)			353,431		301,692	
School Improvement (Title I)	2009	84.377	136,243		116,455	
Total School Improvement (Title I)			136,243		116,455	
Vocational Education - Basic Grants to State	2008	84.048	9,641		13,369	
	2009	84.048	75,333		70,912	
Total Vocational Education - Basic Grants to State			84,974		84,281	
<i>Direct Award:</i>						
Impact Aid	2007	84.041	1,166		-	
Total Impact Aid			1,166		-	
Total U.S. Department of Education			2,735,010	-	2,466,619	-
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>						
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Payments - Title XIX (Community Alternative Funding System)	N/A	93.778	394,924		-	
Total U.S. Department of Health & Human Services			394,924		-	
Totals			\$ 3,866,525	\$ 58,365	\$ 3,203,210	\$ 58,365

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

East Liverpool City School District
Columbiana County, Ohio
Notes to the Schedule of Expenditures Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2009

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C – Community Alternative Funding System

Cash receipts for the Community Alternative Funding System (CAFS) totaled \$394,924 in fiscal year 2009. These amounts related to settlements for CAFS service provided during prior years.

Note D - Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

84.027	IDEA-B - Special Education - Grants to States	2008	\$	5,916	
84.027	IDEA-B - Special Education - Grants to States	2009			\$ 5,916
84.173	Early Preschool - Special Education	2008		837	
84.173	Early Preschool - Special Education	2009			837
84.186	Title IV-A - Safe and Drug-Free Schools	2008		1,317	
84.186	Title IV-A - Safe and Drug-Free Schools	2009			1,317
84.298	Title V - State Grants for Innovative Programs	2008		2,535	
84.298	Title V - State Grants for Innovative Programs	2009			2,535
84.318	Title II-D - Education Technology	2008		3,811	
84.318	Title II-D - Education Technology	2009			3,811
84.367	Title II-A - Improving Teacher Quality	2008		6,835	
84.367	Title II-A - Improving Teacher Quality	2009			6,835
84.358	Title VI-B - Rural and Low Income	2008		5,184	
84.358	Title VI-B - Rural and Low Income	2009			5,184

**EAST LIVERPOL CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS		
(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster Title II-A Improving Teacher Quality	CFDA # 84.027 & 84.173; CFDA # 84.367
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**EAST LIVERPOL CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133, Section .505
 JUNE 30, 2009**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)
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Condition: We noted no indication that budgetary reports were kept to support the amount of expenditures-to-date reported on Project Cash Requests (PCRs). In an attempt to verify the expenditures, we noted insignificant differences when comparing the expenditures-to-date to District financial reports. In addition, the District included return of advances in the reporting of cash basis expenditures on their PCRs, thereby, causing a significant variance between reported cash basis and actual cash basis expenditures.

CFDA #	Fiscal Information as of	Cash Basis Expenditures Reported	Actual Cash Basis Expenditures	Variance
84.027	11/17/2008	\$ 88,488	\$ 115,364	\$ (26,876)
84.027	1/30/2009	244,765	232,243	12,522
84.027	4/3/2009	425,455	333,613	91,842
84.367	1/30/2009	142,035	132,775	9,260
84.367	3/11/2009	220,269	165,465	54,804
84.367	6/4/2009	325,266	229,843	95,423

Effect: By including return of advances in the reporting of cash basis expenditures, accurate financial information was not being reported to the Ohio Department of Education when requesting a PCR.

Recommendation: When generating PCRs, we recommend the District maintain documentation to support the accuracy of expenditures to-date reported to the Ohio Department of Education. The District should also exclude return of advances when reporting cash basis expenditures on the PCRs.

Corrective Action: Contact Person: Todd Puster, Treasurer

The District will not be including return of advances in cash basis expenditures on the PCRs ongoing. The situation will be corrected in the following fiscal period.

**EAST LIVERPOL CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2009**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (continued)
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2009-03 Federal Noncompliance

CFDA Title/ Number: Special Education Cluster – Special Education, Part B-IDEA – CFDA #84.027

Federal Award Number/Year: 2009

Federal Agency: U.S. Department of Education

Pass-Through Agency: Ohio Department of Education

Noncompliance Citation:

Criteria: Ohio Administrative Code 3301-51-06 states that each school district shall adopt and implement written procedures, approved by the Ohio Department of Education, Office for Exceptional Children, to ensure that a referral process is employed to determine whether or not a child is a child with a disability. The school district of residence shall ensure; that initial evaluations are conducted and that reevaluations are completed. Reevaluations must occur at least once every 3 years.

Condition: Of the 28 Individualized Education Plans (IEPs) requested, we noted 8 IEPs that were not reevaluated within 3 years. In addition, of the 28 IEPs requested, 2 IEPs could not be located by the District for testing.

Effect: By not reevaluating IEPs within 3 years, the District is potentially providing services that are not specifically tailored to the individual's needs, and are noncompliant with Ohio Administrative Code 3301-51-06. Also, the District is providing special education and related services to students without an IEP on file.

Recommendation: The District should ensure that all IEPs are reevaluated within the required 3 year period and should maintained all IEPs in a secured, controlled location so as to ensure that no IEPs go missing.

Corrective Action: Contact Person: Richard Vrable, Director of the Special Education Program

Effective August 1, 2009, the District hired a new Director of the Special Education Program, adding qualified experience to the Special Education Program. With the changes made, the District does not expect these issues to continue.



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

January 25, 2010

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether East Liverpool City School District has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on May 9, 2005.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), unless otherwise specified:
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;

- (3) A procedure for reporting prohibited incidents was not included in the policy;
- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident, was not included in the policy;
- (6) A procedure for documenting any prohibited incident that is reported was not included in the policy;
- (7) A procedure for responding to and investigating any reported incident was not included in the policy;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States was not included in the policy;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, was not included in the policy.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

EAST LIVERPOOL CITY SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2010**