

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009***

**TONY MEDIATE, TREASURER**





# Mary Taylor, CPA

Auditor of State

Board of Education  
Lowellville Local School District  
52 Rocket Place  
Lowellville, Ohio 44436

We have reviewed the *Independent Auditor's Report* of the Lowellville Local School District, Mahoning County, prepared by Julian & Grube, 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 Lowellville Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 7, 2010

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

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Fund.....	20
Notes to the Basic Financial Statements.....	21 - 46
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	47 - 48
Status of Prior Audit Findings .....	49



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education  
Lowellville Local School District  
52 Rocket Place  
Lowellville, Ohio 44436-1099

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Lowellville Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lowellville Local 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 the Comptroller General of the United States' *Government Auditing Standards*. 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, and the aggregate remaining fund information of the Lowellville Local School District, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the fiscal 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 November 13, 2009 on our consideration of the Lowellville Local School District's internal control over financial reporting and on 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.

Independent Auditor's Report  
Lowellville Local School District

The management's discussion and analysis 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 13, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Lowellville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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 \$431,135 which represents a 2.96% decrease from 2008.
- General revenues accounted for \$3,362,401 in revenue or 63.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,956,774 or 36.79% of total revenues of \$5,319,175.
- The District had \$5,750,310 in expenses related to governmental activities; \$1,956,774 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 \$3,362,401 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and capital projects fund. The general fund had \$4,559,963 in revenues and other financing sources and \$4,643,216 in expenditures and other financing uses. During fiscal year 2009 the general fund's fund balance decreased \$83,253 from \$1,414,705 to \$1,331,452.
- The District's capital projects fund had \$23,798 in revenues and no expenditures. During fiscal year 2009, the capital projects fund's fund balance increased \$23,798 from \$352,554 to \$376,352.

**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 capital projects fund are by far the most significant funds, and the only governmental funds reported as major funds.



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

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

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

In the statement of net assets and the statement of activities, the 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 13-14 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 capital projects 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 the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-46 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 4,741,593	\$ 4,659,533
Capital assets, net	<u>13,225,611</u>	<u>13,824,474</u>
Total assets	<u>17,967,204</u>	<u>18,484,007</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,614,153	1,809,977
Long-term liabilities	<u>2,195,303</u>	<u>2,085,147</u>
Total liabilities	<u>3,809,456</u>	<u>3,895,124</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	11,463,656	12,016,170
Restricted	1,627,138	1,370,901
Unrestricted	<u>1,066,954</u>	<u>1,201,812</u>
Total net assets	<u>\$ 14,157,748</u>	<u>\$ 14,588,883</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 \$14,157,748. Of this total, \$1,627,138 is restricted in use.

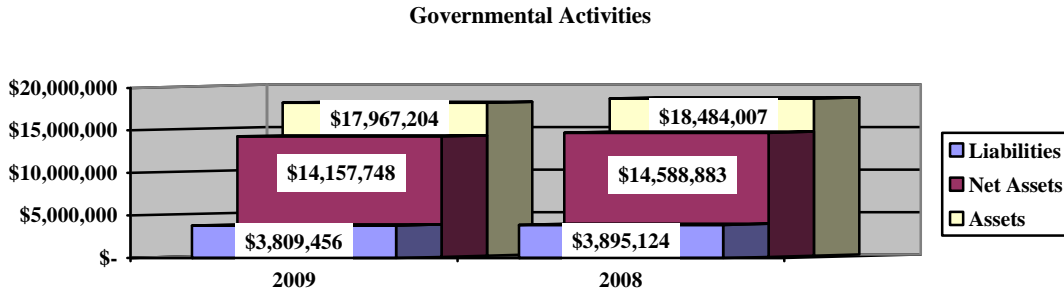
**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 73.61% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$11,463,656. 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, \$1,627,138, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,066,954 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below show the District's governmental activities assets, liabilities and net assets for the fiscal years ended June 30, 2009 and June 30, 2008.



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

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,444,531	\$ 1,451,181
Operating grants and contributions	485,225	561,582
Capital grants and contributions	27,018	1,282
General revenues:		
Property taxes	1,054,126	1,141,751
Grants and entitlements	2,236,341	2,282,578
Investment earnings	35,919	90,843
Increase (decrease) in fair market value of investments	13,161	(221)
Other	22,854	22,095
<b>Total revenues</b>	<b>5,319,175</b>	<b>5,551,091</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,759,909	\$ 2,715,063
Special	283,727	419,752
Vocational	29,417	32,423
Other	11,172	14,926
Support services:		
Pupil	373,249	211,221
Instructional staff	147,774	203,018
Board of education	22,343	23,731
Administration	398,519	405,854
Fiscal	139,169	169,957
Operations and maintenance	552,655	517,087
Pupil transportation	160,145	159,462
Central	52,154	26,686
Food service operations	328,208	355,924
Operations of non-instructional services	-	440
Extracurricular activities	396,801	392,504
Interest and fiscal charges	<u>95,068</u>	<u>95,410</u>
Total expenses	<u>5,750,310</u>	<u>5,743,458</u>
Change in net assets	(431,135)	(192,367)
Net assets at beginning of year	<u>14,588,883</u>	<u>14,781,250</u>
Net assets at end of year	<u><u>\$ 14,157,748</u></u>	<u><u>\$ 14,588,883</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$431,135. Total governmental expenses of \$5,750,310 were offset by program revenues of \$1,956,774 and general revenues of \$3,362,401. Program revenues supported 34.03% 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 61.86% of total governmental revenue.

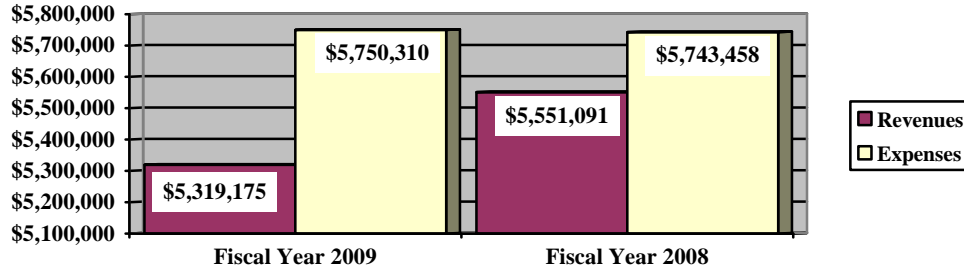
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,084,225 or 53.64% of total governmental expenses for fiscal 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,759,909	\$ 1,518,477	\$ 2,715,063	\$ 1,456,571
Special	283,727	4,049	419,752	116,407
Vocational	29,417	21,754	32,423	21,466
Other	11,172	11,172	14,926	14,926
Support services:				
Pupil	373,249	349,403	211,221	184,948
Instructional staff	147,774	145,913	203,018	201,579
Board of education	22,343	22,343	23,731	23,731
Administration	398,519	385,386	405,854	385,072
Fiscal	139,169	139,169	169,957	164,953
Operations and maintenance	552,655	522,022	517,087	484,064
Pupil transportation	160,145	140,316	159,462	142,532
Central	52,154	49,525	26,686	26,180
Food service operations	328,208	100,150	355,924	118,246
Operations of non-instructional services	-	-	440	440
Extracurricular activities	396,801	288,789	392,504	292,888
Interest and fiscal charges	95,068	95,068	95,410	95,410
<b>Total expenses</b>	<u>\$ 5,750,310</u>	<u>\$ 3,793,536</u>	<u>\$ 5,743,458</u>	<u>\$ 3,729,413</u>

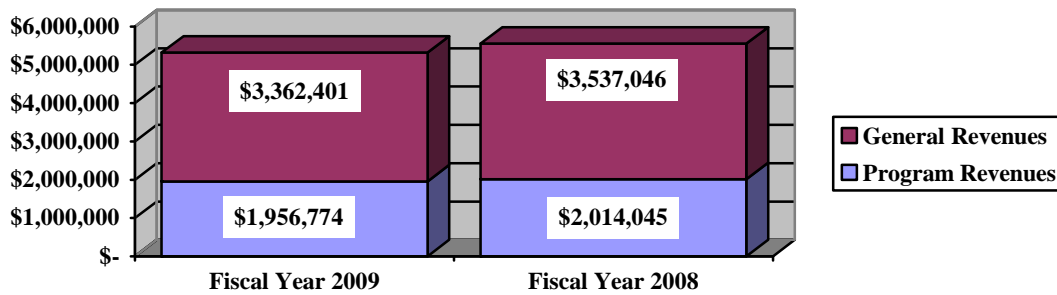
**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**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, 50.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 65.97%. The District's property tax revenues and Foundation payments received from the State of Ohio are the primary sources of support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,905,335, which is greater than last year's total of \$2,750,640. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase (Decrease)	Percentage <u>Change</u>
General	\$ 1,331,452	\$ 1,414,705	\$ (83,253)	(5.88) %
Capital Projects	376,352	352,554	23,798	6.75 %
Other Governmental	<u>1,197,531</u>	<u>983,381</u>	<u>214,150</u>	21.78 %
Total	<u>\$ 2,905,335</u>	<u>\$ 2,750,640</u>	<u>\$ 154,695</u>	5.62 %

The fund balance of the other governmental funds increased primarily due to an increase of approximately \$29,682 in the food service fund balance as charges for services and intergovernmental grants and subsidies exceeded expenditures in the current year. The educational foundation fund balance increased due to a transfer in of \$25,000 from the general fund and the classroom facilities maintenance fund balance increased \$37,133 due to tax and other revenue sources exceeding expenditures in fiscal year 2009. The termination benefits fund increased due to a transfer in of \$150,000 from the general fund.

An analysis of the general fund and capital projects fund is provided below.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***General Fund***

The District's general fund balance decreased \$83,253. The decrease in fund balance can be attributed to transfers out to other funds as decreasing revenues were still being more than increased expenditures. Revenues exceed expenditures for fiscal year 2009 by \$98,627.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 896,377	\$ 991,558	\$ (95,181)	(9.60) %
Tuition	1,193,613	1,202,460	(8,847)	(0.74) %
Earnings on investments	35,919	64,270	(28,351)	(44.11) %
Intergovernmental	2,399,747	2,433,683	(33,936)	(1.39) %
Other revenues	<u>20,780</u>	<u>11,966</u>	<u>8,814</u>	73.66 %
Total	<u>\$ 4,546,436</u>	<u>\$ 4,703,937</u>	<u>\$ (157,501)</u>	(3.35) %
<b><u>Expenditures</u></b>				
Instruction	\$ 2,596,987	\$ 2,631,692	\$ (34,705)	(1.32) %
Support services	1,665,070	1,541,328	123,742	8.03 %
Non-instructional services	-	6,880	(6,880)	(100.00) %
Extracurricular activities	185,752	160,300	25,452	15.88 %
Debt service	<u>-</u>	<u>2,982</u>	<u>(2,982)</u>	(100.00) %
Total	<u>\$ 4,447,809</u>	<u>\$ 4,343,182</u>	<u>\$ 104,627</u>	2.41 %

As can be seen in the above table, revenues generated are sufficient to cover expenditures in the general fund. The slight decrease in tuition revenue in the general fund was primarily due to a decrease in open enrollment revenues from the prior year. Earnings on investments decreased due to lower interest rates on short-term investments that the District utilized. Intergovernmental revenues decreased due to a decrease in State Foundation monies received from the State of Ohio. The decrease in instructional expenditures can be attributed to the District's control of staff through the early retirement incentive. Support services increased due to normal and customary wages and benefit increases. Non-instructional services and debt service decreases while a large percentage are immaterial when looked at as a dollar amount.

***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.

For the general fund, original budgeted revenues and other financing sources were \$4,280,977 and final budgeted revenues and other financing sources were \$4,548,320. Actual revenues and other financing sources for fiscal 2009 were \$4,548,320. This was the same as the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$5,259,313 were decreased to \$4,533,561 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$4,527,717, which was \$5,844 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Capital Projects Fund***

The District's capital projects fund had \$23,798 in revenues and no expenditures. During fiscal year 2009, the capital projects fund's fund balance increased \$23,798 from \$352,554 to \$376,352. The capital projects fund had interest earnings of \$23,798.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the District had \$13,225,611 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 590,631	\$ 590,631
Land improvements	566,366	642,659
Building and improvements	11,264,728	11,636,479
Furniture and equipment	703,702	832,068
Vehicles	100,184	122,637
Total	\$ 13,225,611	\$ 13,824,474

The overall decrease in capital assets of \$598,863 is due to depreciation expense of \$601,658 exceeding capital outlays of \$2,795 in the fiscal year.

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

***Debt Administration***

At June 30, 2009, the District had \$1,735,000 in general obligation bonds outstanding. Of this total, \$70,000 is due within one year and \$1,665,000 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
General obligation bonds	<u>\$ 1,735,000</u>	<u>\$ 1,800,000</u>
Total	<u>\$ 1,735,000</u>	<u>\$ 1,800,000</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

The District is and has been financially strong for a long period of time, extending back to 1985 when the last operating levy was approved by the voters. Since that time, only the 5.1 mill bond issue for the new K-12 School has been on the ballot and that was approved by 70% of the voters. Contributing to the financial soundness of the District is open enrollment, which has been in effect since 1994. The open enrollment program has been well managed from an educational and a financial viewpoint. The District has received an Excellent Rating for the last six years and has been one of the lowest cost per pupil school districts in Ohio during that period of time. For the latest school year reported, 2007-2008, the District ranks as the second lowest cost per pupil in Ohio.

Although property taxes have remained flat for an extended period of time, the combination of State Funding (75% of revenue), open enrollment, and cost containment have allowed us to remain financially sound. Unrestricted State funding decreased in the last fiscal year compared to the previous fiscal year. As a result, unrestricted State funding shows an increase of 7.7% per year from Fiscal 2000 to Fiscal 2007, which is a significant decrease compared to the increase in State funding from Fiscal 1999 to Fiscal 2006. Continued increases in open enrollment funding and continued cost containment policies have allowed the District to remain financially sound.

The most significant challenge in the years ahead will be the level of State funding. Current indications are that future increases will not approximate past increases particularly relative to Parity Aid. Also significant are the increased number of school districts adopting open enrollment policies which could result in a loss of open enrollment students for the District. Reducing expenditures in direct proportion to a potential decrease in open enrollment students will not be possible; therefore, higher costs per pupil will be the result. Continuation of this scenario for two or three fiscal years will result in a need for additional revenue.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Tony Mediate, Treasurer, Lowellville Local School District, 52 Rocket Place, Lowellville, Ohio 44436.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,194,625
Investments . . . . .	427,254
Receivables:	
Taxes . . . . .	1,095,423
Accounts . . . . .	392
Materials and supplies inventory . . . . .	4,672
Unamortized bond issue costs . . . . .	19,227
Capital assets:	
Land . . . . .	590,631
Depreciable capital assets, net . . . . .	12,634,980
Capital assets, net. . . . .	<u>13,225,611</u>
 Total assets. . . . .	 <u>17,967,204</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	17,225
Accrued wages and benefits . . . . .	445,057
Pension obligation payable. . . . .	99,183
Intergovernmental payable . . . . .	29,200
Accrued interest payable . . . . .	7,381
Unearned revenue. . . . .	1,016,107
Long-term liabilities:	
Due within one year. . . . .	233,010
Due in more than one year . . . . .	1,962,293
Total liabilities . . . . .	<u>3,809,456</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	11,463,656
Restricted for:	
Capital projects . . . . .	475,822
Debt service. . . . .	122,124
Classroom facilities maintenance . . . . .	358,386
Federally funded programs . . . . .	2,214
Other purposes . . . . .	668,592
Unrestricted . . . . .	<u>1,066,954</u>
Total net assets . . . . .	<u>\$ 14,157,748</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 2,759,909	\$ 1,193,613	\$ 24,021	\$ 23,798	\$ (1,518,477)
Special . . . . .	283,727	-	279,678	-	(4,049)
Vocational . . . . .	29,417	-	7,663	-	(21,754)
Other . . . . .	11,172	-	-	-	(11,172)
Support services:					
Pupil . . . . .	373,249	-	23,846	-	(349,403)
Instructional staff . . . . .	147,774	-	1,861	-	(145,913)
Board of education . . . . .	22,343	-	-	-	(22,343)
Administration . . . . .	398,519	8,133	5,000	-	(385,386)
Fiscal . . . . .	139,169	-	-	-	(139,169)
Operations and maintenance . . . . .	552,655	-	30,633	-	(522,022)
Pupil transportation . . . . .	160,145	-	16,609	3,220	(140,316)
Central . . . . .	52,154	-	2,629	-	(49,525)
Operation of non-instructional services:					
Food service operations . . . . .	328,208	148,043	80,015	-	(100,150)
Extracurricular activities . . . . .	396,801	94,742	13,270	-	(288,789)
Interest and fiscal charges . . . . .	95,068	-	-	-	(95,068)
<b>Total governmental activities . . . . .</b>	<b>\$ 5,750,310</b>	<b>\$ 1,444,531</b>	<b>\$ 485,225</b>	<b>\$ 27,018</b>	<b>(3,793,536)</b>
<b>General revenues:</b>					
Property taxes levied for:					
					889,831
General purposes . . . . .					12,714
Special revenue . . . . .					151,581
Debt service . . . . .					
Grants and entitlements not restricted					
to specific programs . . . . .					2,236,341
Investment earnings . . . . .					35,919
Increase in fair value of investments . . . . .					13,161
Miscellaneous . . . . .					22,854
<b>Total general revenues . . . . .</b>					<b>3,362,401</b>
<b>Change in net assets . . . . .</b>					<b>(431,135)</b>
<b>Net assets at beginning of year . . . . .</b>					<b>14,588,883</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 14,157,748</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,079,722	\$ 826,352	\$ 1,064,738	\$ 2,970,812
Investments . . . . .	-	250,000	177,254	427,254
Receivables:				
Taxes . . . . .	924,451	-	170,972	1,095,423
Accounts . . . . .	392	-	-	392
Loans to other funds . . . . .	716,957	-	-	716,957
Materials and supplies inventory . . . . .	-	-	4,672	4,672
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	223,813	-	-	223,813
Total assets . . . . .	<u>\$ 2,945,335</u>	<u>\$ 1,076,352</u>	<u>\$ 1,417,636</u>	<u>\$ 5,439,323</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 12,504	\$ -	\$ 4,721	\$ 17,225
Accrued wages and benefits . . . . .	427,900	-	17,157	445,057
Compensated absences payable . . . . .	38,543	-	-	38,543
Early retirement incentive payable . . . . .	92,400	-	-	92,400
Pension obligation payable. . . . .	90,690	-	8,493	99,183
Intergovernmental payable. . . . .	27,395	-	1,805	29,200
Loans from other funds. . . . .	-	700,000	16,957	716,957
Deferred revenue. . . . .	69,647	-	9,669	79,316
Unearned revenue . . . . .	854,804	-	161,303	1,016,107
Total liabilities . . . . .	<u>1,613,883</u>	<u>700,000</u>	<u>220,105</u>	<u>2,533,988</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	1,917	-	2,556	4,473
Reserved for materials and supplies inventory. . . . .	-	-	4,672	4,672
Reserved for loans to other funds . . . . .	716,957	-	-	716,957
Reserved for school bus purchases. . . . .	127,705	-	-	127,705
Reserved for instructional materials . . . . .	96,108	-	-	96,108
Reserved for debt service. . . . .	-	-	120,631	120,631
Unreserved, undesignated, reported in:				
General fund . . . . .	388,765	-	-	388,765
Special revenue funds. . . . .	-	-	970,202	970,202
Capital projects funds. . . . .	-	376,352	99,470	475,822
Total fund balances. . . . .	<u>1,331,452</u>	<u>376,352</u>	<u>1,197,531</u>	<u>2,905,335</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,945,335</u>	<u>\$ 1,076,352</u>	<u>\$ 1,417,636</u>	<u>\$ 5,439,323</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 2,905,335
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,225,611
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable		79,316
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(7,381)
Unamortized bond issuance costs are not recognized in the funds.		19,227
Unamortized deferred charges on refundings are not recognized in the funds.		57,221
Unamortized premiums on bond issuance are not recognized in the funds.		(84,176)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences and early retirement incentive	\$ 302,405	
General obligation bonds payable	<u>1,735,000</u>	
Total		<u>(2,037,405)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 14,157,748</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 896,377	\$ -	\$ 164,586	\$ 1,060,963
Tuition. . . . .	1,193,613	-	-	1,193,613
Earnings on investments. . . . .	35,919	23,798	8,591	68,308
Charges for services. . . . .	-	-	148,043	148,043
Extracurricular. . . . .	-	-	102,875	102,875
Rental income. . . . .	770	-	-	770
Contributions and donations. . . . .	590	-	32,104	32,694
Other local revenues. . . . .	19,420	-	2,074	21,494
Intergovernmental - State. . . . .	2,399,747	-	50,193	2,449,940
Intergovernmental - Federal . . . . .	-	-	234,151	234,151
Total revenue . . . . .	<u>4,546,436</u>	<u>23,798</u>	<u>742,617</u>	<u>5,312,851</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,422,255	-	59,914	2,482,169
Special. . . . .	134,143	-	110,483	244,626
Vocational. . . . .	29,417	-	-	29,417
Other. . . . .	11,172	-	-	11,172
Support services:				
Pupil. . . . .	343,785	-	16,934	360,719
Instructional staff . . . . .	123,423	-	3,313	126,736
Board of education . . . . .	22,343	-	-	22,343
Administration. . . . .	333,955	-	31,593	365,548
Fiscal . . . . .	131,215	-	2,983	134,198
Operations and maintenance. . . . .	537,737	-	6,250	543,987
Pupil transportation . . . . .	118,584	-	17,259	135,843
Central. . . . .	54,028	-	921	54,949
Operation of non-instructional services:				
Food service operations . . . . .	-	-	198,376	198,376
Extracurricular activities. . . . .	185,752	-	114,322	300,074
Debt service:				
Principal retirement . . . . .	-	-	65,000	65,000
Interest and fiscal charges . . . . .	-	-	96,160	96,160
Total expenditures . . . . .	<u>4,447,809</u>	<u>-</u>	<u>723,508</u>	<u>5,171,317</u>
Excess of revenues over expenditures . . . . .	<u>98,627</u>	<u>23,798</u>	<u>19,109</u>	<u>141,534</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	-	195,407	195,407
Transfers (out). . . . .	(195,407)	-	-	(195,407)
Increase/(decrease) in fair value of investments . . . . .	13,527	-	(366)	13,161
Total other financing sources . . . . .	<u>(181,880)</u>	<u>-</u>	<u>195,041</u>	<u>13,161</u>
Net change in fund balances . . . . .	(83,253)	23,798	214,150	154,695
<b>Fund balances at beginning of year. . . . .</b>	<u>1,414,705</u>	<u>352,554</u>	<u>983,381</u>	<u>2,750,640</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,331,452</u>	<u>\$ 376,352</u>	<u>\$ 1,197,531</u>	<u>\$ 2,905,335</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	154,695
 <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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays the current period.		
Capital outlays	\$ 2,795	
Depreciation expense	<u>(601,658)</u>	
Total		(598,863)
Revenues in the statement of activities that provide current financial resources are not reported as revenues in the funds.		(6,837)
Repayment of bond and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		65,000
Governmental funds report expenditures for interest when it is due.		
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable		516
Amortization of bond issuance costs		(1,433)
Amortization of bond premiums		6,274
Amortization of deferred charges on refundings		(4,265)
Total		
Some expenses reported in the statement of activities, such as compensated absences, and early retirement incentive do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(46,222)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(431,135)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 843,689	\$ 896,377	\$ 896,377	\$ -
Tuition. . . . .	1,123,454	1,193,613	1,193,613	-
Earnings on investments. . . . .	35,950	38,195	38,195	-
Other local revenues . . . . .	13,279	14,108	14,108	-
Intergovernmental - State . . . . .	2,258,694	2,399,747	2,399,747	-
Total revenue . . . . .	<u>4,275,066</u>	<u>4,542,040</u>	<u>4,542,040</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,717,119	2,371,487	2,368,631	2,856
Special. . . . .	148,674	129,762	129,606	156
Vocational. . . . .	33,796	29,497	29,461	36
Other. . . . .	12,932	11,287	11,273	14
Support services:				
Pupil. . . . .	372,563	325,171	324,779	392
Instructional staff . . . . .	112,175	97,906	97,788	118
Board of education . . . . .	28,713	25,061	25,031	30
Administration. . . . .	360,830	314,931	314,552	379
Fiscal . . . . .	149,954	130,879	130,721	158
Operations and maintenance. . . . .	625,045	545,536	544,879	657
Pupil transportation . . . . .	134,243	117,167	117,026	141
Central. . . . .	61,977	54,093	54,028	65
Extracurricular activities. . . . .	211,685	184,758	184,535	223
Total expenditures . . . . .	<u>4,969,706</u>	<u>4,337,535</u>	<u>4,332,310</u>	<u>5,225</u>
Excess of revenues over (under) expenditures. . . . .	<u>(694,640)</u>	<u>204,505</u>	<u>209,730</u>	<u>5,225</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(289,607)	(196,026)	(195,407)	619
Sale of assets . . . . .	5,911	6,280	6,280	-
Total other financing sources (uses) . . . . .	<u>(283,696)</u>	<u>(189,746)</u>	<u>(189,127)</u>	<u>619</u>
Net change in fund balance . . . . .	(978,336)	14,759	20,603	5,844
<b>Fund balance at beginning of year. . . . .</b>	1,243,796	1,243,796	1,243,796	-
<b>Prior year encumbrances appropriated . . . . .</b>	11,188	11,188	11,188	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 276,648</u>	<u>\$ 1,269,743</u>	<u>\$ 1,275,587</u>	<u>\$ 5,844</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 63,144
 Total assets. . . . .	\$ 63,144
 <b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,617
Due to students . . . . .	61,527
 Total liabilities . . . . .	\$ 63,144

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The District serves an area of approximately 14 square miles. It is located in Mahoning County, and includes the Village of Lowellville. The District is the 591st largest in the State of Ohio (among the 922 public school districts and community schools in the State) in terms of enrollment. It is staffed by 42 certified full-time teaching employees and 17 classified personnel who provide services to 621 students and other community members. The District currently operates 2 instructional buildings.

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”, and as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS), a council of governments, is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge. ACCESS is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of the revenues of ACCESS are generated from charges for services and State funding. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

The District did not participate in this Plan during the fiscal year ended June 30, 2009 (see Note 11).

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium (the "Consortium") is a shared risk pool comprised of 12 Mahoning County school districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All revenues of the Consortium are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges for services to Medical Mutual of Ohio (MMO), who acts in the capacity of a third-party administrator (TPA) for claims processing.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

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

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

Capital projects fund - The capital projects fund is used to accumulate monies for capital projects.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those accounted for in the capital projects fund; (c) grants and other resources whose use is restricted to a particular purpose; and, (d) food service operations and uniform school supplies operations.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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 agency fund does not report a measurement focus as it does 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 Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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 unearned 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 in the fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure 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. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2009 is as follows:

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. On or before June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2009.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control has been established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to federal agency securities, money market mutual funds, certificates of deposits, and common stock. While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its other governmental funds. No public funds were used to acquire the stock. Investments in common stock are reported at fair value, which is based on quoted market prices. At June 30, 2009, the common stock had a fair value of \$702.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$35,919, which includes \$11,169 assigned from other funds.

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and 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 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. 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. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no “interfund loans receivable/payable” at June 30, 2009.

Receivables and payables resulting from long-term interfund loans are classified as “loans to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

Receivables and payables resulting from negative cash balances in certain funds are classified as “due from/to other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no “due from/to other funds” at June 30, 2009.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with 20 years of current service with the District, all employees age 45 with at least 15 years of service, and all employees age 50 with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at 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 absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not recorded.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

**L. Fund Balance Reserves**

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

**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. Net assets restricted for other purposes represent monies restricted by State statute for instructional materials and school bus purchases, along with monies restricted for the District's educational foundation and termination benefits.

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

**N. Estimates**

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

**O. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for instructional materials. This reserve is required by State statute. In addition, the District has received monies restricted for school bus purchases. A schedule of statutory reserves is presented in Note 16.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**P. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.D.

**R. 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. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", 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".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
District managed activity	\$ 8,265
Teacher development	13
Management information system	3,037
IDEA part B grants	16,092
Title I disadvantaged children	4,758
Improving teacher quality	144

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 \$669,920. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$525,451 of the District’s bank balance of \$725,451 was covered by the Federal Deposit Insurance Corporation (FDIC), while \$200,000 was exposed to custodial risk as discussed below.

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

**B. Investments**

The District had the following investments and maturities at June 30, 2009:

Investment	Fair Value	Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	More than 24 months
FFCB	\$ 100,688	\$ -	\$ -	\$ -	\$ -	\$ 100,688
FHLB	1,021,408	152,296	255,860	255,517	100,625	257,110
FHLMC	946,475	-	-	-	-	946,475
FNMA	251,204	-	-	-	151,079	100,125
Money market mutual fund	519,626	519,626	-	-	-	-
Certificates of deposits	175,000	-	75,000	-	100,000	-
Common stock	<u>702</u>	<u>702</u>	-	-	-	-
Total	<u>\$ 3,015,103</u>	<u>\$ 672,624</u>	<u>\$ 330,860</u>	<u>\$ 255,517</u>	<u>\$ 351,704</u>	<u>\$ 1,404,398</u>

At June 30, 2009, the weighted average maturity of investments is 1.99 years.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*Interest Rate Risk:* Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

*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. The District's common stock holdings were rated from AAA to B by Standard & Poor's, Aaa to Caa1 by Moody's Investors Service, and AA- to B by Fitch Ratings. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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's investment policy does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FFCB	\$ 100,688	3.34
FHLB	1,021,408	33.89
FHLMC	946,475	31.39
FNMA	251,204	8.33
Money market mutual fund	519,626	17.23
Certificates of deposits	175,000	5.80
Common stock	702	0.02
Total	<u>\$ 3,015,103</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 669,920
Investments	<u>3,015,103</u>
Total	<u>\$ 3,685,023</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,621,879
Agency funds	<u>63,144</u>
Total	<u>\$ 3,685,023</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Transfers for the fiscal year ended June 30, 2009 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 195,407
Total	<u>\$ 195,407</u>

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

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

All transfers made in fiscal 2009 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Loans to and from other funds at June 30, 2009 consisted of the following, as reported in the fund financial statements:

<u>Loans from general fund to:</u>	<u>Amount</u>
Capital projects fund	\$ 700,000
Nonmajor governmental funds	16,957
Total	<u>\$ 716,957</u>

Loans to and from other funds are long-term loans and are not expected to be repaid within one year.

Loans to and from other funds 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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009 are available to finance fiscal year 2009 operations. The amount available for advance can vary based on the date the tax bills are sent.

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.

On the full accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis of accounting 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	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 28,176,350	83.24	\$ 28,465,930	83.97
Public utility personal	5,265,450	15.56	5,268,160	15.54
Tangible personal property	<u>407,181</u>	<u>1.20</u>	<u>165,967</u>	<u>0.49</u>
Total	<u>\$ 33,848,981</u>	<u>100.00</u>	<u>\$ 33,900,057</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations	\$ 56.40		\$ 57.10	
Bonded debt	5.10		5.10	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes and accounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds.

A summary of the items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 1,095,423
Accounts	<u>392</u>
Total	<u>\$ 1,095,815</u>

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

**NOTE 8 - CAPITAL ASSETS**

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

	Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/09</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 590,631	\$ -	\$ -	\$ 590,631
<i>Total capital assets, not being depreciated</i>	<u>590,631</u>	<u>-</u>	<u>-</u>	<u>590,631</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,240,352	-	-	1,240,352
Buildings and improvements	14,138,881	-	-	14,138,881
Equipment and furniture	2,350,879	2,795	-	2,353,674
Vehicles	331,518	-	-	331,518
<i>Total capital assets, being depreciated</i>	<u>18,061,630</u>	<u>2,795</u>	<u>-</u>	<u>18,064,425</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(597,693)	(76,293)	-	(673,986)
Buildings and improvements	(2,502,402)	(371,751)	-	(2,874,153)
Equipment and furniture	(1,518,811)	(131,161)	-	(1,649,972)
Vehicles	(208,881)	(22,453)	-	(231,334)
<i>Total accumulated depreciation</i>	<u>(4,827,787)</u>	<u>(601,658)</u>	<u>-</u>	<u>(5,429,445)</u>
Total capital assets, net	<u>\$ 13,824,474</u>	<u>\$ (598,863)</u>	<u>\$ -</u>	<u>\$ 13,225,611</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 257,746
Special	32,435
<u>Support services:</u>	
Pupil	6,371
Instructional staff	19,114
Administration	28,961
Fiscal	2,896
Operations and maintenance	6,371
Pupil transportation	22,453
Extracurricular activities	96,727
Food service operations	<u>128,584</u>
Total depreciation expense	<u>\$ 601,658</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2001, the District issued \$2,126,000 in general obligation bonds (Series 2001 Bonds) with stated interest rates from 4.40% to 6.15% in order to provide funds for the construction of a new building for the elementary, middle and high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for as long-term obligations of the District. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 5.1 mill bonded debt tax levy.

In fiscal year 2007, the District advance refunded \$955,000 (the callable portion) of the Series 2001 current interest bonds. During fiscal year 2009, the District made a \$65,000 principal payment from the bond retirement debt service fund (a nonmajor governmental fund).

Interest payments on the remaining Series 2001 general obligation bonds are due on June 1 and December 1 of each year. The final stated maturity on the remaining bonds in the issue is December 1, 2016.

In conjunction with the 5.1 mills which support the bond issue, the District also passed in fiscal year 2001 a 0.5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund).

- B. On August 24, 2006, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund a portion of the Series 2001 Bonds. The issuance proceeds of \$955,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The refunded debt is considered defeased (in-substance) and, accordingly, has been removed from the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The Series 2007 Refunding Bonds are comprised of current interest term bonds, par value \$955,000. Interest rates range from 5.00% to 5.25%. The current interest term bonds mature on December 1 of 2017 through 2022.

The reacquisition price exceeded the net carrying amount of the old debt by \$69,305. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the life of the new debt by \$60,458, resulting in an economic gain of \$47,401.

- C. The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Fiscal Year	Series 2001 Bonds			Series 2007 Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 70,000	\$ 43,465	\$ 113,465	\$ -	\$ 49,438	\$ 49,438
2011	75,000	39,930	114,930	-	49,437	49,437
2012	80,000	36,113	116,113	-	49,438	49,438
2013	95,000	31,211	126,211	-	49,437	49,437
2014	100,000	25,215	125,215	-	49,438	49,438
2015 - 2019	360,000	34,440	394,440	435,000	233,437	668,437
2020 - 2023	-	-	-	520,000	73,106	593,106
Total	<u>\$ 780,000</u>	<u>\$ 210,374</u>	<u>\$ 990,374</u>	<u>\$ 955,000</u>	<u>\$ 553,731</u>	<u>\$ 1,508,731</u>

- D. During fiscal year 2009, the following changes occurred in the governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance 6/30/2008	Increases	Decreases	Balance 6/30/2009	Amounts Due in One Year
<u>General obligation bonds</u>					
Series 2001 bonds	\$ 845,000	\$ -	\$ (65,000)	\$ 780,000	\$ 70,000
Series 2007 refunding bonds	955,000	-	-	955,000	-
<u>Other long-term obligations</u>					
Compensated absences	256,183	113,077	(77,312)	291,948	70,610
Early retirement incentive	-	169,300	(27,900)	141,400	92,400
Total	<u>\$ 2,056,183</u>	<u>\$ 282,377</u>	<u>\$ (170,212)</u>	2,168,348	<u>\$ 233,010</u>
Add: Unamortized premium on refunding				84,176	
Less: Unamortized deferred charge on refunding				(57,221)	
Total governmental activities				<u>\$ 2,195,303</u>	

As of June 30, 2009, the total liability for compensated absences is \$291,948, of which \$70,610 is due within one year and \$221,338 is due in more than one year. Compensated absences will be paid out of the fund from which the employee is paid which, for the District, is primarily the general fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

As of June 30, 2009, the total liability for the early retirement incentive is \$141,400, of which \$92,400 is due within one year and \$49,000 is due in more than one year. The early retirement incentive will be paid out of the fund from which the employee is paid which, for the District, is primarily the general fund.

**E. Legal Debt Margins**

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

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2009 are a legal voted debt margin of \$947,565 (including available funds of \$120,631), a legal unvoted debt margin of \$28,466, and a legal energy conservation debt margin of \$256,193.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Life Insurance**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted with Indiana Insurance Company to provide the following coverage:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage</u>
Building and Contents	\$5,000	\$16,187,316
Crime Insurance	1,000	250,000
Automobile Liability	250	1,000,000
Uninsured Motorists	250	1,000,000
General Liability:		
Per occurrence	0	2,000,000
Total per year	0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**B. Employee Group Health Insurance**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

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

The District pays 88% of the medical insurance premiums for certified and classified employees and their families.

The dental and prescription drug coverage is administered by Medical Mutual of Ohio (MMO), a third party administrator. The District pays 88% of prescription and dental premiums. Unum provides the life insurance coverage.

**C. Workers' Compensation**

The District did not participate in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool during the fiscal year ended June 30, 2009. Since fiscal year 2005, the District has been individually rated because of a claim allowed by the Bureau of Workers' Compensation to allow the claim the wife of a deceased custodian that his death was due to asbestosis contracted while in the employment of the District. The District has dropped the appeal of this claim and the claim is not part of the District's claims experience any longer, which enables the District to be eligible to participate in the Plan with the OSBA.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$42,338, \$40,652, and \$43,529, respectively; 42.77 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$315,411, \$303,199, and \$285,770, respectively; 84.04 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. There were no contributions to the DC and Combined Plans for fiscal year 2009 made by the District or by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007, were \$26,735, \$24,805, and \$23,573, respectively; 42.77 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$3,493, \$2,929, and \$2,960, respectively; 42.77 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$24,262, \$23,323, and \$21,982, respectively; 84.04 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing uses are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing sources are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 20,603
Net adjustment for revenue accruals	4,396
Net adjustment for expenditure accruals	(129,920)
Net adjustment for other financing sources/uses	7,247
Adjustment for encumbrances	14,421
GAAP basis	\$ (83,253)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 involved in no material litigation as either plaintiff or defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance at June 30, 2008	\$ 50,633	\$ (13,351,551)
Current year set-aside requirement	102,006	102,006
Current year qualifying expenditures	<u>(56,531)</u>	<u>(42,797)</u>
Set-aside balance at June 30, 2009	<u>\$ 96,108</u>	<u>\$ (13,292,342)</u>
Balance carried forward to FY2010	<u>\$ 96,108</u>	<u>\$ (13,292,342)</u>

The negative amount in the capital maintenance set-aside may be carried forward to offset future years' requirements.

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

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for instructional materials	\$ 96,108
Amount restricted for school bus purchases	<u>127,705</u>
Total restricted assets	<u>\$ 223,813</u>



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **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***

Board of Education  
Lowellville Local School District  
52 Rocket Place  
Lowellville, Ohio 44436-1099

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District as of and for the fiscal year ended June 30, 2009, which collectively comprise Lowellville Local School District's basic financial statements and have issued our report thereon dated November 13, 2009. 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 the Lowellville Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lowellville Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Lowellville Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Lowellville Local School District'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 Lowellville Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Lowellville Local School District's internal control.

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 Lowellville Local School District's internal control.

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

Board of Education  
Lowellville Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lowellville Local 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*.

We noted certain matters that we reported to the management of the Lowellville Local School District in a separate letter dated November 13, 2009.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 13, 2009

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

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2008-LLSD-001	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	Yes	N/A
2008-LLSD-002	Ohio Revised Code Section 5705.36, in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the District Treasurer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.	Yes	N/A
2008-LLSD-003	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	Yes	N/A





## **Julian & Grube, Inc.**

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### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

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

To the Board of Education:

Ohio Revised 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 Ohio 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 Lowellville Local School District (the District has adopted an anti-harassment policy in accordance with Ohio Revised 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 August 20, 2008.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (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 includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

Independent Accountant's Report on Applying Agreed-Upon Procedures  
Lowellville Local School District  
Page Two

- (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 Ohio 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;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (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.
- (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 Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Lowellville Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
November 13, 2009



**Mary Taylor, CPA**  
Auditor of State

**LOWELLVILLE LOCAL SCHOOL DISTRICT**  
**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JANUARY 19, 2010**