

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013***

**GREG SLEMONS, INTERIM TREASURER**





# Dave Yost • 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, 2012 through June 30, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 2, 2014

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

Independent Auditor's Report

Lowellville Local School District  
Mahoning County  
52 Rocket Place  
Lowellville, Ohio 44436-1099

To the Board of Education:

***Report on the Financial Statements***

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, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lowellville Local School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Lowellville Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Lowellville Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

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, Mahoning County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2014, on our consideration of the Lowellville Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lowellville Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
February 20, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 2013 are as follows:

- In total, net position of governmental activities decreased \$571,457 which represents a 4.03% decrease from 2012.
- General revenues accounted for \$3,132,285 in revenue or 56.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,384,939 or 43.23% of total revenues of \$5,517,224.
- The District had \$6,088,681 in expenses related to governmental activities; \$2,384,939 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 \$3,132,285 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 \$4,686,872 in revenues and \$4,798,713 in expenditures. During fiscal year 2013 the general fund's fund balance decreased \$111,841 from a fund balance of \$2,064,974 to \$1,953,133.
- The District's capital projects fund had \$7,441 in revenues and no expenditures. During fiscal year 2013, the capital projects fund's fund balance increased \$7,441 from \$744,753 to \$752,194.

**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 position* 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, 2013

**Reporting the District as a Whole**

***Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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 position 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 position 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 position 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, 2013

***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 assets and liabilities 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 21-49 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. Certain 2012 amounts have been reclassified to conform to new reporting standards implemented in fiscal year 2013 (see Note 3.A) and to properly report restricted and unrestricted net position at June 30, 2012.

	<b>Net Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 5,728,168	\$ 5,695,164
Capital assets, net	<u>11,240,424</u>	<u>11,761,247</u>
Total assets	<u>16,968,592</u>	<u>17,456,411</u>
<b><u>Deferred outflows of resources</u></b>	<u>40,162</u>	<u>44,427</u>
<b><u>Liabilities</u></b>		
Current liabilities	556,790	536,135
Long-term liabilities	<u>1,830,706</u>	<u>1,934,061</u>
Total liabilities	<u>2,387,496</u>	<u>2,470,196</u>
<b><u>Deferred inflows of resources</u></b>	<u>1,027,134</u>	<u>865,061</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	9,806,506	10,245,249
Restricted	1,028,121	1,123,723
Unrestricted	<u>2,759,497</u>	<u>2,796,609</u>
Total net position	<u>\$ 13,594,124</u>	<u>\$ 14,165,581</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$13,594,124. Of this total, \$1,028,121 is restricted in use.

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

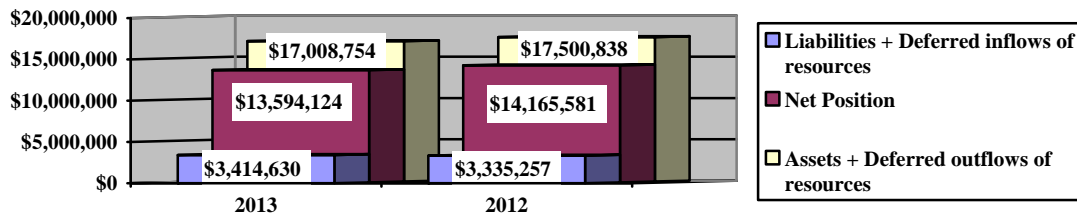
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

At year-end, capital assets represented 66.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$9,806,506. 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 position, \$1,028,121, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,759,497 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2013 and June 30, 2012. Amounts for fiscal year 2012 have been reclassified to conform to new reporting standards implemented in fiscal year 2013 (see Note 3.A).

**Governmental Activities**



The table below shows the change in net position for fiscal years 2013 and 2012.

**Change in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,791,643	\$ 1,789,852
Operating grants and contributions	593,296	727,590
General revenues:		
Property taxes	1,027,716	1,011,184
Grants and entitlements	2,108,570	2,115,866
Investment earnings	27,586	40,702
(Decrease) in fair value of investments	(42,105)	-
Other	10,518	22,416
<b>Total revenues</b>	<b>5,517,224</b>	<b>5,707,610</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Change in Net Position</b>	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,439,381	\$ 2,824,774
Special	282,045	341,636
Vocational	32,143	32,781
Other	15	49
Support services:		
Pupil	117,936	142,845
Instructional staff	283,995	329,045
Board of education	23,736	18,282
Administration	275,185	562,287
Fiscal	132,956	160,040
Operations and maintenance	552,977	490,807
Pupil transportation	127,269	156,917
Central	978,381	107,144
Operations of non-instructional services:		
Other non-instructional services	-	11,647
Food service operations	356,824	376,773
Extracurricular activities	392,518	406,165
Interest and fiscal charges	<u>93,320</u>	<u>84,603</u>
Total expenses	<u>6,088,681</u>	<u>6,045,795</u>
Change in net position	(571,457)	(338,185)
Net position at beginning of year	<u>14,165,581</u>	<u>14,503,766</u>
Net position at end of year	<u>\$ 13,594,124</u>	<u>\$ 14,165,581</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$571,457. Total governmental expenses of \$6,088,681 were offset by program revenues of \$2,384,939 and general revenues of \$3,132,285. Program revenues supported 39.17% 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 56.85% of total governmental revenue.

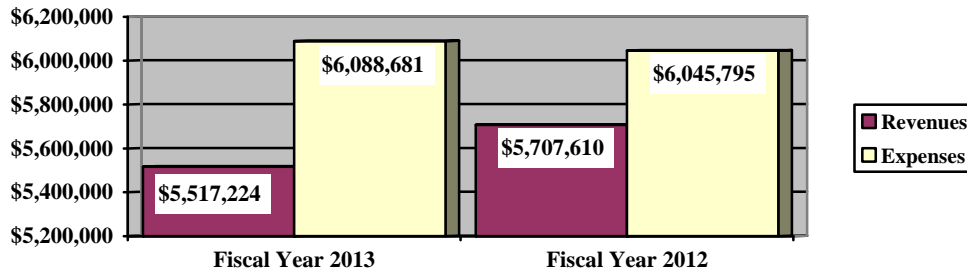
The largest expense of the District is for instructional programs. Instruction expenses totaled \$2,753,584 or 45.22% of total governmental expenses for fiscal 2013. Support services-central expenditures increased as the District made certain payments to STRS and SERS out of this expenditure classification in fiscal year 2013. These expenditures were made from instruction-regular and support services-administration in fiscal year 2012. This explains the increase and corresponding decrease in the expenditure classifications.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2013 and 2012.

**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>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,439,381	\$ 877,174	\$ 2,824,774	\$ 1,217,543
Special	282,045	(52,188)	341,636	(34,662)
Vocational	32,143	24,365	32,781	25,003
Other	15	15	49	49
Support services:				
Pupil	117,936	80,560	142,845	80,419
Instructional staff	283,995	283,995	329,045	329,045
Board of education	23,736	23,736	18,282	18,282
Administration	275,185	275,185	562,287	562,287
Fiscal	132,956	132,956	160,040	160,040
Operations and maintenance	552,977	549,137	490,807	424,830
Pupil transportation	127,269	127,269	156,917	151,893
Central	978,381	924,875	107,144	107,144
Operations of non-instructional services:				
Other non-instructional services	-	-	11,647	11,647
Food service operations	356,824	94,331	376,773	91,304
Extracurricular activities	392,518	269,012	406,165	298,926
Interest and fiscal charges	93,320	93,320	84,603	84,603
<b>Total expenses</b>	<u>\$ 6,088,681</u>	<u>\$ 3,703,742</u>	<u>\$ 6,045,795</u>	<u>\$ 3,528,353</u>

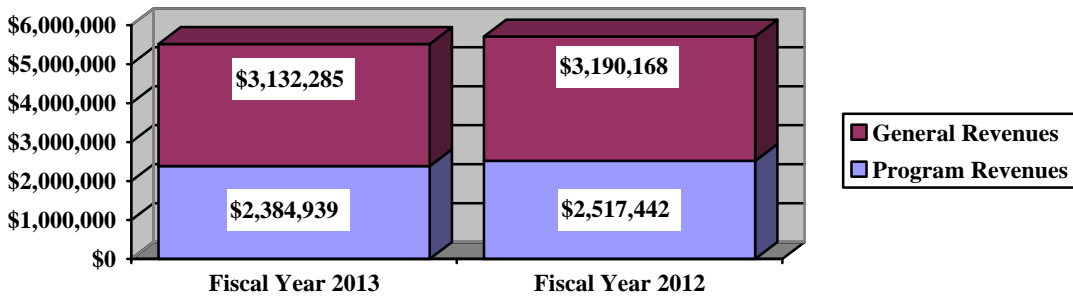
**LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The dependence upon tax and other general revenues for governmental activities is apparent, 30.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 60.83%. 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 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,975,522, which is greater than last year's total of \$4,157,473. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance June 30, 2013	Fund Balance June 30, 2012	Increase (Decrease)	Percentage Change
General	\$ 1,953,133	\$ 2,064,974	\$ (111,841)	(5.42) %
Capital Projects	752,194	744,753	7,441	1.00 %
Other Governmental	<u>1,270,195</u>	<u>1,347,746</u>	<u>(77,551)</u>	(5.75) %
Total	<u>\$ 3,975,522</u>	<u>\$ 4,157,473</u>	<u>\$ (181,951)</u>	(4.38) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

***General Fund***

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 862,549	\$ 841,543	\$ 21,006	2.50 %
Tuition	1,543,591	1,545,131	(1,540)	(0.10) %
Earnings on investments	16,474	20,471	(3,997)	(19.53) %
Decrease in fair value of investments	(42,039)	-	(42,039)	(100.00) %
Intergovernmental	2,290,123	2,281,131	8,992	0.39 %
Other revenues	<u>16,174</u>	<u>28,012</u>	<u>(11,838)</u>	<u>(42.26) %</u>
Total	<u>\$ 4,686,872</u>	<u>\$ 4,716,288</u>	<u>\$ (29,416)</u>	<u>(0.62) %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 2,405,261	\$ 2,596,672	\$ (191,411)	(7.37) %
Support services	2,210,728	1,759,102	451,626	25.67 %
Non-instructional services	-	1,397	(1,397)	(100.00) %
Extracurricular activities	<u>182,724</u>	<u>214,103</u>	<u>(31,379)</u>	<u>(14.66) %</u>
Total	<u>\$ 4,798,713</u>	<u>\$ 4,571,274</u>	<u>\$ 227,439</u>	<u>4.98 %</u>

As can be seen in the above table, revenues generated were not sufficient to cover expenditures in the general fund in fiscal year 2013. Overall revenues decreased 0.62% from the prior year. The District has reported a decrease in the fair value of investments, primarily federal agency securities. Although the fair value of these investments was lower than their cost basis, the District intends to hold all investments to maturity thus eliminating the risk of fair value fluctuations. The decrease in other revenues is due to a decrease in extracurricular revenue as well as contributions and donations. All other revenue classifications of the District remained comparable in dollar value to fiscal year 2012 amounts.

Overall expenditures increased 4.98% from the prior year. The major variances in instruction and support services can be attributed to how the District pays their STRS and SERS. During the fiscal year, the District made these payments out of the central expenditures while they were made out of regular instruction during fiscal year 2012. This created a shift in expenditures from instruction to support services during the fiscal year.

***Capital Projects Fund***

The District's capital projects fund had \$7,441 in revenues and no expenditures. During fiscal year 2103, the capital projects fund's fund balance increased \$7,441 from \$744,753 to \$752,194. The capital projects fund had interest earnings of \$7,441.

***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 and final budgeted revenues were \$4,030,960. Actual revenues for fiscal year 2013 were \$4,743,542. This was a \$712,582 increase from the final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

General fund original appropriations (appropriated expenditures plus other financing uses) of \$5,033,130 were decreased to \$4,970,130 for the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$4,280,475, which was \$689,655 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2013, the District had \$11,240,424 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 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 590,631	\$ 590,631
Land improvements	332,218	392,961
Building and improvements	9,815,918	10,164,321
Furniture and equipment	414,964	500,160
Vehicles	86,693	113,174
Total	\$ 11,240,424	\$ 11,761,247

The overall decrease in capital assets of \$520,823 is due to depreciation expense of \$527,798 exceeding capital outlays of \$6,975 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2013, the District had \$1,415,000 in general obligation bonds outstanding. Of this total, \$100,000 is due within one year and \$1,315,000 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2013	2012
General obligation bonds	\$ 1,415,000	\$ 1,510,000
Total	\$ 1,415,000	\$ 1,510,000

See Note 8 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, 2013**

**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.

Although property taxes have remained flat for an extended period of time, the combination of State Funding (approximately 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. 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. 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.

The District continues to be budget conscious as the future of education funding continues to be on a decline and its future revenues are in question. For fiscal year 2012, the District attained an excellent rating for the eleventh consecutive year while continuing to operate at one of the lowest cost per pupil levels in the State and maintaining a learning environment in an up to date facility with classroom technology among the best in the State. In fiscal year 2013, the District obtained an overall rating of B under the new rating system from the State. The District will continue to monitor its cost per pupil and eliminate unnecessary expenses while maintaining an excellent learning environment for our students.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,321,008
Investments. . . . .	229,460
Receivables:	
Property taxes . . . . .	1,138,944
Accrued interest . . . . .	6,872
Intergovernmental . . . . .	22,562
Materials and supplies inventory. . . . .	9,322
Capital assets:	
Nondepreciable capital assets . . . . .	590,631
Depreciable capital assets, net. . . . .	10,649,793
Capital assets, net . . . . .	11,240,424
Total assets. . . . .	16,968,592
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	40,162
 <b>Liabilities:</b>	
Accounts payable. . . . .	725
Accrued wages and benefits payable . . . . .	433,839
Pension obligation payable. . . . .	96,017
Intergovernmental payable . . . . .	20,050
Accrued interest payable . . . . .	6,159
Long-term liabilities:	
Due within one year. . . . .	195,379
Due in more than one year. . . . .	1,635,327
Total liabilities . . . . .	2,387,496
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	1,027,134
 <b>Net position:</b>	
Net investment in capital assets . . . . .	9,806,506
Restricted for:	
Capital projects . . . . .	110,432
Classroom facilities maintenance . . . . .	445,308
Debt service. . . . .	148,805
Federally funded programs . . . . .	36,249
Other purposes . . . . .	287,327
Unrestricted . . . . .	2,759,497
Total net position. . . . .	\$ 13,594,124

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,439,381	\$ 1,543,591	\$ 18,616	\$ (877,174)
Special . . . . .	282,045	-	334,233	52,188
Vocational . . . . .	32,143	-	7,778	(24,365)
Other . . . . .	15	-	-	(15)
Support services:				
Pupil . . . . .	117,936	-	37,376	(80,560)
Instructional staff . . . . .	283,995	-	-	(283,995)
Board of education . . . . .	23,736	-	-	(23,736)
Administration . . . . .	275,185	-	-	(275,185)
Fiscal . . . . .	132,956	-	-	(132,956)
Operations and maintenance . . . . .	552,977	240	3,600	(549,137)
Pupil transportation . . . . .	127,269	-	-	(127,269)
Central . . . . .	978,381	-	53,506	(924,875)
Operation of non-instructional services:				
Food service operations . . . . .	356,824	131,489	131,004	(94,331)
Extracurricular activities . . . . .	392,518	116,323	7,183	(269,012)
Interest and fiscal charges . . . . .	93,320	-	-	(93,320)
<b>Total governmental activities . . . . .</b>	<b>\$ 6,088,681</b>	<b>\$ 1,791,643</b>	<b>\$ 593,296</b>	<b>(3,703,742)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				862,753
Debt service . . . . .				152,413
Special revenue . . . . .				12,550
Grants and entitlements not restricted				
to specific programs . . . . .				2,108,570
Investment earnings . . . . .				27,586
Decrease in fair value of investments . . . . .				(42,105)
Miscellaneous . . . . .				10,518
<b>Total general revenues . . . . .</b>				<b>3,132,285</b>
Change in net position . . . . .				(571,457)
<b>Net position at beginning of year . . . . .</b>				<b>14,165,581</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 13,594,124</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 1,802,359	\$ 1,452,194	\$ 1,066,455	\$ 4,321,008
Investments. . . . .	-	-	229,460	229,460
Receivables:				
Property taxes. . . . .	957,198	-	181,746	1,138,944
Accrued interest . . . . .	6,872	-	-	6,872
Intergovernmental. . . . .	21,218	-	1,344	22,562
Materials and supplies inventory. . . . .	-	-	9,322	9,322
Loans to other funds. . . . .	716,957	-	-	716,957
Total assets . . . . .	<u>\$ 3,504,604</u>	<u>\$ 1,452,194</u>	<u>\$ 1,488,327</u>	<u>\$ 6,445,125</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ -	\$ 725	\$ 725
Accrued wages and benefits payable . . . . .	426,880	-	6,959	433,839
Compensated absences payable . . . . .	46,304	-	-	46,304
Intergovernmental payable . . . . .	19,288	-	762	20,050
Pension obligation payable . . . . .	86,378	-	9,639	96,017
Loans from other funds . . . . .	-	700,000	16,957	716,957
Total liabilities. . . . .	<u>578,850</u>	<u>700,000</u>	<u>35,042</u>	<u>1,313,892</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	862,500	-	164,634	1,027,134
Delinquent property tax revenue not available. . . . .	94,698	-	17,112	111,810
Accrued interest not available. . . . .	3,730	-	-	3,730
Intergovernmental revenue not available. . . . .	11,693	-	1,344	13,037
Total deferred inflows of resources . . . . .	<u>972,621</u>	<u>-</u>	<u>183,090</u>	<u>1,155,711</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	9,322	9,322
Long-term loans. . . . .	716,957	-	-	716,957
Restricted:				
Debt service . . . . .	-	-	139,165	139,165
Capital improvements . . . . .	-	-	110,432	110,432
Classroom facilities maintenance . . . . .	-	-	443,995	443,995
Food service operations . . . . .	-	-	289,279	289,279
Other purposes. . . . .	-	-	35,893	35,893
Committed:				
Capital improvements . . . . .	-	752,194	-	752,194
Recreation . . . . .	-	-	28,792	28,792
Termination benefits. . . . .	224,838	-	-	224,838
Other purposes. . . . .	-	-	228,472	228,472
Assigned:				
Student and staff support. . . . .	4,314	-	-	4,314
Employee benefits . . . . .	86,932	-	-	86,932
Subsequent year's appropriations . . . . .	167,450	-	-	167,450
Unassigned (deficit) . . . . .	752,642	-	(15,155)	737,487
Total fund balances . . . . .	<u>1,953,133</u>	<u>752,194</u>	<u>1,270,195</u>	<u>3,975,522</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 3,504,604</u>	<u>\$ 1,452,194</u>	<u>\$ 1,488,327</u>	<u>\$ 6,445,125</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	3,975,522
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			11,240,424
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	111,810	
Accrued interest receivable		3,730	
Intergovernmental receivable		13,037	
Total		128,577	128,577
Unamortized premiums on bonds issuances are not recognized in the funds.			(59,080)
Unamortized deferred charges on debt refundings are not recognized in the funds.			40,162
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,159)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(1,415,000)	
Compensated absences		(310,322)	
Total		(1,725,322)	(1,725,322)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>13,594,124</b>

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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 862,549	\$ -	\$ 164,727	\$ 1,027,276
Tuition. . . . .	1,543,591	-	-	1,543,591
Earnings on investments . . . . .	16,474	7,441	6,278	30,193
Decrease in fair value of investments . . . . .	(42,039)	-	(66)	(42,105)
Charges for services . . . . .	-	-	131,489	131,489
Extracurricular. . . . .	5,157	-	111,166	116,323
Rental income . . . . .	240	-	-	240
Contributions and donations . . . . .	259	-	31,563	31,822
Other local revenues . . . . .	10,518	-	-	10,518
Intergovernmental - state . . . . .	2,290,123	-	44,078	2,334,201
Intergovernmental - federal . . . . .	-	-	328,178	328,178
Total revenues . . . . .	<u>4,686,872</u>	<u>7,441</u>	<u>817,413</u>	<u>5,511,726</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	2,227,970	-	3,910	2,231,880
Special . . . . .	145,133	-	125,198	270,331
Vocational . . . . .	32,143	-	-	32,143
Other . . . . .	15	-	-	15
Support services:				
Pupil . . . . .	82,184	-	30,238	112,422
Instructional staff . . . . .	266,708	-	-	266,708
Board of education . . . . .	23,689	-	-	23,689
Administration . . . . .	264,817	-	-	264,817
Fiscal . . . . .	127,407	-	3,374	130,781
Operations and maintenance . . . . .	405,705	-	142,225	547,930
Pupil transportation . . . . .	100,608	-	-	100,608
Central . . . . .	939,610	-	45,746	985,356
Operation of non-instructional services:				
Food service operations. . . . .	-	-	243,890	243,890
Extracurricular activities . . . . .	182,724	-	124,734	307,458
Debt service:				
Principal retirement. . . . .	-	-	95,000	95,000
Interest and fiscal charges . . . . .	-	-	80,649	80,649
Total expenditures . . . . .	<u>4,798,713</u>	<u>-</u>	<u>894,964</u>	<u>5,693,677</u>
Net change in fund balances . . . . .	(111,841)	7,441	(77,551)	(181,951)
<b>Fund balances at beginning of year. . . . .</b>	<u>2,064,974</u>	<u>744,753</u>	<u>1,347,746</u>	<u>4,157,473</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,953,133</u>	<u>\$ 752,194</u>	<u>\$ 1,270,195</u>	<u>\$ 3,975,522</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, 2013

**Net change in fund balances - total governmental funds** \$ (181,951)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 6,975	
Current year depreciation	(527,798)	
<b>Total</b>		<b>(520,823)</b>

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

Property taxes	440	
Earnings on investments	323	
Intergovernmental	1,840	
<b>Total</b>		<b>2,603</b>

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. 95,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	249	
Removal of unamortized bond issuance costs	(14,929)	
Amortization of bond premiums	6,274	
Amortization of deferred charges on refundings	(4,265)	
<b>Total</b>		<b>(12,671)</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 46,385

**Change in net position of governmental activities** \$ (571,457)

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 701,960	\$ 701,960	\$ 862,549	\$ 160,589
Tuition . . . . .	1,500,000	1,500,000	1,543,591	43,591
Earnings on investments . . . . .	20,000	20,000	15,615	(4,385)
Rental income . . . . .	5,000	5,000	240	(4,760)
Contributions and donations . . . . .	1,000	1,000	259	(741)
Other local revenues . . . . .	1,000	1,000	9,518	8,518
Intergovernmental - state . . . . .	1,650,000	1,650,000	2,280,598	630,598
<b>Total revenues . . . . .</b>	<u>3,878,960</u>	<u>3,878,960</u>	<u>4,712,370</u>	<u>833,410</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,596,503	2,533,503	2,146,913	386,590
Special . . . . .	150,000	150,000	134,139	15,861
Vocational . . . . .	41,000	41,000	32,221	8,779
Support services:				
Pupil . . . . .	124,500	124,500	79,030	45,470
Instructional staff . . . . .	103,500	103,500	266,572	(163,072)
Board of education . . . . .	24,500	24,500	23,786	714
Administration . . . . .	365,500	365,500	256,458	109,042
Fiscal . . . . .	173,500	173,500	126,525	46,975
Operations and maintenance . . . . .	424,840	424,840	396,195	28,645
Pupil transportation . . . . .	177,000	177,000	101,124	75,876
Central . . . . .	466,287	466,287	533,773	(67,486)
Extracurricular activities . . . . .	266,000	266,000	183,739	82,261
<b>Total expenditures . . . . .</b>	<u>4,913,130</u>	<u>4,850,130</u>	<u>4,280,475</u>	<u>569,655</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,034,170)</u>	<u>(971,170)</u>	<u>431,895</u>	<u>1,403,065</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	2,000	2,000	31,172	29,172
Transfers in . . . . .	150,000	150,000	-	(150,000)
Transfers (out) . . . . .	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>120,000</u>
<b>Total other financing sources (uses) . . . . .</b>	<u>32,000</u>	<u>32,000</u>	<u>31,172</u>	<u>(828)</u>
Net change in fund balance . . . . .	(1,002,170)	(939,170)	463,067	1,402,237
<b>Fund balance at beginning of year . . . . .</b>	973,999	973,999	973,999	-
<b>Prior year encumbrances appropriated . . . . .</b>	32,630	32,630	32,630	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,459</u>	<u>\$ 67,459</u>	<u>\$ 1,469,696</u>	<u>\$ 1,402,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



LOWELLVILLE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO

STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2013

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 58,754
Total assets. . . . .	<u>\$ 58,754</u>
<b>Liabilities:</b>	
Due to students. . . . .	\$ 58,754
Total liabilities . . . . .	<u>\$ 58,754</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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 6 square miles. It is located in Mahoning County, and includes the Village of Lowellville. It is staffed by 40 certified full-time teaching employees and 14 non-certified personnel who provide services to 617 students and other community members. The District currently operates 1 instructional building.

**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's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed 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, 2013**

**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*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

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, 2013

**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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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 account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition and construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets not accounted for in the capital projects fund, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*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 position and changes in net position. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

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

*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, current deferred outflows of resources, current liabilities, and current deferred inflows of resources 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, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 5).

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.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2013 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 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.
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 2013.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**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 2013, investments were limited to federal agency securities, U.S. Treasury notes and bonds, money market mutual funds 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, 2013, the common stock had a fair value of \$988.

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 fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$16,474, which includes \$3,586 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.

On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 position, but are not reported in the fund financial statements.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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. During 2013, the District maintained their capitalization threshold at \$5,000. 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

**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 position. The District had no short-term interfund loans at June 30, 2013.

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 position.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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, 2013, 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, 2013, 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.

**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 and early retirement incentive 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**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and the endowment fund (a nonmajor governmental fund).

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**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. 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.

**P. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding**

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and deferred charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 8.

For advance refunding resulting in the defeasance of debt, 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 a deferred outflow of resources.

**Q. 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 2013.

**R. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, and (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

GASB Statement No. 66 improves accounting and financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements; GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements". The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
District managed student activity	\$ 4,657
IDEA Part B	5,409
Title I	2,263
Improving teacher quality	467

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**A. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits, including \$400,000 in nonnegotiable certificates of deposit, was \$665,643. Based on the criteria described in GASB Statement No. 40, “*Deposits and Investment Risk Disclosures*”, as of June 30, 2013, \$79,574 of the District’s bank balance of \$729,574 was exposed to custodial risk as discussed bellow, while \$650,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**B. Investments**

The District had the following investments and maturities at June 30, 2013:

Investment	Fair Value	Maturity				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	More than 24 months
Money market mutual fund	\$ 68,265	\$ 68,265	\$ -	\$ -	\$ -	\$ -
FNMA	1,592,779	-	-	-	50,676	1,542,103
FFCB	397,726	-	-	149,871	100,027	147,828
FHLB	497,414	-	149,953	-	-	347,461
FHLMC	1,386,407	-	-	250,178	-	1,136,229
Common stock	988	988	-	-	-	-
<b>Total</b>	<b>\$ 3,943,579</b>	<b>\$ 69,253</b>	<b>\$ 149,953</b>	<b>\$ 400,049</b>	<b>\$ 150,703</b>	<b>\$ 3,173,621</b>

At June 30, 2013, the weighted average maturity of investments is 2.90 years.

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

*Credit Risk:* The District’s investments in federal agency securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The District’s money market mutual fund was rated AAAM by Standard & Poor’s. The common stock was rated between BBB- and AA+ by Standard & Poor’s. The District’s investment policy does not specifically address credit risk beyond the adherence to all relevant sections 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, 2013

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Money market mutual fund	\$ 68,265	1.73
FNMA	1,592,779	40.38
FFCB	397,726	10.09
FHLB	497,414	12.61
FHLMC	1,386,407	35.16
Common stock	988	0.03
Total	<u>\$ 3,943,579</u>	<u>100.00</u>

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

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 position as of June 30, 2013:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 665,643
Investments	<u>3,943,579</u>
Total	<u>\$ 4,609,222</u>

Cash and investments per statement of net position

Governmental activities	\$ 4,550,468
Agency funds	<u>58,754</u>
Total	<u>\$ 4,609,222</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 5 - INTERFUND TRANSACTIONS**

Loans to and from other funds at June 30, 2012 consisted of the following, as reported in the fund financial statements:

<u>Loans from general fund to:</u>	<u>Amount</u>
Capital projects	\$ 700,000
Nonmajor governmental funds	<u>16,957</u>
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 5 - 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 and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 5 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 29,018,860	84.65	\$ 29,186,860	83.75
Public utility personal	<u>5,261,560</u>	15.35	<u>5,662,560</u>	16.25
Total	<u>\$ 34,280,420</u>	<u>100.00</u>	<u>\$ 34,849,420</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General operations	\$56.40		\$56.40	
Bonded debt	5.10		5.10	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accrued interest, and intergovernmental receivables. 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 position follows:

**Governmental activities:**

Property taxes	\$ 1,138,944
Accrued interest	6,872
Intergovernmental	<u>22,562</u>
Total	<u>\$ 1,168,378</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/13</u>
<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	1,266,516	-	-	1,266,516
Buildings and improvements	14,138,881	-	-	14,138,881
Equipment and furniture	2,487,720	6,975	-	2,494,695
Vehicles	425,468	-	-	425,468
<i>Total capital assets, being depreciated</i>	<u>18,318,585</u>	<u>6,975</u>	<u>-</u>	<u>18,325,560</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(873,555)	(60,743)	-	(934,298)
Buildings and improvements	(3,974,560)	(348,403)	-	(4,322,963)
Equipment and furniture	(1,987,560)	(92,171)	-	(2,079,731)
Vehicles	(312,294)	(26,481)	-	(338,775)
<i>Total accumulated depreciation</i>	<u>(7,147,969)</u>	<u>(527,798)</u>	<u>-</u>	<u>(7,675,767)</u>
Total capital assets, net	<u>\$ 11,761,247</u>	<u>\$ (520,823)</u>	<u>\$ -</u>	<u>\$ 11,240,424</u>

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 223,085
Special	28,075
<u>Support services:</u>	
Pupil	5,514
Instructional staff	16,544
Administration	25,066
Fiscal	2,507
Operations and maintenance	5,514
Pupil transportation	26,481
Extracurricular activities	83,720
Food service operations	<u>111,292</u>
Total depreciation expense	<u>\$ 527,798</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 8 - 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 expenditures 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 2013, the District made a \$95,000 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 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 position.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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
2014	\$ 100,000	\$ 25,215	\$ 125,215	\$ -	\$ 49,437	\$ 49,437
2015	110,000	18,758	128,758	-	49,437	49,437
2016	120,000	11,686	131,686	-	49,437	49,437
2017	130,000	3,997	133,997	-	49,438	49,438
2018	-	-	-	135,000	46,063	181,063
2019 - 2023	-	-	-	820,000	112,168	932,168
Total	<u>\$ 460,000</u>	<u>\$ 59,656</u>	<u>\$ 519,656</u>	<u>\$ 955,000</u>	<u>\$ 355,980</u>	<u>\$ 1,310,980</u>

D. During fiscal year 2013, the following changes occurred in the governmental activities long-term obligations:

	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013	Amounts Due in One Year
<b><u>Governmental activities:</u></b>					
<b><u>General obligation bonds</u></b>					
Series 2001 bonds	\$ 555,000	\$ -	\$ (95,000)	\$ 460,000	\$ 100,000
Series 2007 refunding bonds	955,000	-	-	955,000	-
<b><u>Other long-term obligations</u></b>					
Compensated absences	356,707	68,315	(68,396)	356,626	95,379
Early retirement incentive	2,000	-	(2,000)	-	-
Total	<u>\$ 1,868,707</u>	<u>\$ 68,315</u>	<u>\$ (165,396)</u>	1,771,626	<u>\$ 195,379</u>
Add: Unamortized premium on refunding				59,080	
Total governmental activities				<u>\$ 1,830,706</u>	

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund. The early retirement incentive was paid from 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

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, 2013 are a legal voted debt margin of \$1,860,613 (including available funds of \$139,165), a legal unvoted debt margin of \$34,849, and a legal energy conservation debt margin of \$313,645.

**NOTE 9 - OTHER EMPLOYEE BENEFITS**

**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 55 days.

**NOTE 10 - 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 2013, 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	\$23,080,529
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.

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**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 Consortium's stop-loss carrier.

The District pays 90% 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 90% of prescription and dental premiums. Metropolitan provides the life insurance coverage.

**C. Workers' Compensation Group Rating Plan**

For fiscal year 2013, the District participated in a Workers' Compensation Group Rating Program (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - 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, disability, survivor 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 "Employers/Audit Resources".



**LOWELLVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$71,506, \$63,014 and \$53,096, respectively; 75.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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), under "Publications".

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

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

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2013, 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 14 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, 2013, 2012 and 2011 were \$335,097, \$338,293 and \$319,582, respectively; 81.22 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$15,848 made by the District and \$11,320 made by the 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**LOWELLVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, 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, 2013, 2012 and 2011 were \$7,106, \$10,709 and \$13,049, respectively; 75.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,039, \$3,721 and \$3,417, respectively; 75.86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**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), under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$25,777, \$26,023 and \$24,583, respectively; 81.22 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget 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 sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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	\$ 463,067
Net adjustment for revenue accruals	(43,880)
Net adjustment for expenditure accruals	(86)
Net adjustment for other sources/uses	(31,172)
Funds budgeted elsewhere	(504,084)
Adjustment for encumbrances	4,314
GAAP basis	\$ (111,841)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the employee benefits insurance fund, the workers compensation insurance fund, the termination benefits fund and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 14 - 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.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	104,023
Current year qualifying expenditures	(21,268)
Current year offsets	(14,466)
Prior year offset from bond proceeds	<u>(68,289)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the reserve for capital improvements to zero. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$1,991,496 at June 30, 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 16 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 4,314
Nonmajor governmental funds	<u>46,396</u>
Total	<u>\$ 50,710</u>



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

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Lowellville Local School District  
Mahoning County  
52 Rocket Place  
Lowellville, Ohio 44436-1099

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowellville Local School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lowellville Local School District's basic financial statements and have issued our report thereon dated February 20, 2014.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Lowellville Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Lowellville Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Lowellville Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Educational  
Lowellville Local School District

***Compliance and Other Matters***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Lowellville Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Lowellville Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.  
February 20, 2014





# Dave Yost • 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  
APRIL 15, 2014**