



**Auditor of State
Betty Montgomery**

**Lordstown Local School District
Trumbull County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

FISCAL EMERGENCY TERMINATION

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**Auditor of State
Betty Montgomery**

CERTIFICATION

Pursuant to a request to the Auditor of State by the Lordstown Local School District Financial Planning and Supervision Commission, the Auditor of State has performed an analysis and determined that the Lordstown Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Lordstown Local School District has met the requirements of Section 3316.16, Revised Code, for termination of the Lordstown Local School District Financial Planning and Supervision Commission. Therefore, the existence of the Lordstown Local School District Financial Planning and Supervision Commission and its role in the operation of the Lordstown Local School District is terminated as of July 15, 2004.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Section 3316.16(E), Revised Code, requires the Auditor of State to monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Lordstown Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, David Hines, Trumbull County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 15, 2004

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**Report for Termination of the Lordstown Local School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission) of the Lordstown Local School District (the School District), Trumbull County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

Conditions for Terminating the Commission and its Functions

The Auditor of State conducted an analysis of the Lordstown Local School District, dated October 23, 2000, to determine whether the School District met the conditions for fiscal watch. The results of the analysis were as follows:

1. The Auditor of State certified a general fund operating deficit for the fiscal year ended June 30, 2001, in the amount of \$1,357,000, which exceeded eight percent of the general fund revenues of the prior fiscal year;
2. The Lordstown Local School District's unencumbered cash balance as of June 30, 2000 was \$288,000, which was less than eight percent of the expenditures for the fiscal year ended June 30, 2000; and,
3. The School District had not passed a levy that would eliminate the first two conditions.

Based on the analysis the School District was placed in fiscal watch on October 23, 2000. Section 3316.02(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On December 8, 2000, the Auditor of State declared the Lordstown Local School District in Fiscal Emergency based on the Board of Education's resolution, dated November 1, 2000, which declared that the Lordstown Local Board of Education would not be able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch made pursuant to Section 3316.03 of the Ohio Revised Code.

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

The results of the analysis performed by the Auditor of State in determining whether each of these four conditions has been satisfied are as follows:

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**Report for Termination of the Lordstown Local School District
Financial Planning and Supervision Commission**

1. - The Financial Accounting and Reporting Systems

The Auditor of State, in accordance with Section 3316.10, Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files and reports of the Lordstown Local School District (the School District) and issued an Accounting Report, dated March 8, 2001. The report identified areas where the School District's financial accounting and reporting system were not in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State. The Board of Education was required to promptly bring its existing financial accounting and reporting system into compliance with Section 117.43 of the Ohio Revised Code.

The criteria for termination of the Commission and the fiscal emergency condition includes a determination of whether an effective financial accounting and reporting system has been implemented, or is in the process of being implemented and is expected to be completed within two years. This determination included management providing a written assessment of the issues that were identified in the Financial Accounting Report. Our responsibility is to determine, based on inquiries, observations and a review of other financial reports, whether management has in place an effective financial accounting and reporting system, which includes the correction of those issues in the Financial Accounting Report. A summary of management's assessment of those issues is presented below:

Budgetary Process

Estimated Resources:

- The amounts reflected on the certificate of estimated resources are adjusted for any reserve balance accounts.
- Amended certificates of estimated resources are requested throughout the year when revenue estimates significantly change.

Not Implemented

- The School District has not filed with the county budget commission the certificate of year-end balances within a reasonable period after the end of the fiscal year.

Appropriation Measures:

- The School District has a temporary appropriation measure approved by the Board prior to the start of the fiscal year.
- The annual or permanent appropriation measure is adopted at the earliest time permitted by State law.
- The amount appropriated for each fund is within the estimated resources as reported on the existing certificate of estimated resources at the time of passage.
- The timing of the passage of a supplemental appropriation measure allows a reasonable amount of time for the budget commission to certify that appropriations are within estimated resources.
- Supplemental appropriation measures are posted to the accounting system and expenditures are not incurred against the revised appropriations until the legally effective date.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**Report for Termination of the Lordstown Local School District
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Monitoring the Budget:

- Descriptions, such as fund names and numbers, are used consistently between the accounting system and the budget documents.
- The Treasurer reviews the budget and actual data at least monthly to identify anticipated changes.
- The timing of budgetary adjustments take into account the time needed for Board approval, when necessary, and for the budget commission to complete its statutory requirements.

Not Implemented

- Appropriations and estimated revenues posted in the accounting systems are not in agreement with the related documents.
- Supplemental appropriations are not posted upon receipt of the certificate from the county auditor that appropriations from each fund do not exceed the estimated resources.

Revenue Activity

- Mail being delivered to the Treasurer's office is monitored closely and stamped with the date and time.
- The Budgetary Clerk in the Treasurer's office has been trained to enter receipts into the computer when the Treasurer is not at work.
- The School District Treasurer issues receipts to the building secretaries for monies they turn over to the Treasurer or deposit directly to the bank.

In Process of Implementation

- The Treasurer has developed written procedures for collecting, recording, safeguarding, and reporting the daily receipts by the School District employees. These procedures will be presented to the Board of Education for adoption.

Purchasing Process

- The School District has not had to fulfill the requirement to request quotes in recent years. The School District does require quote information to be documented in some manner, either on the purchase order itself or through the use of vendor supplied documents when required.
- The computer system flags accounts with insufficient appropriations. The School District has stopped entering in purchase orders when they exceed available appropriations.
- The School District has written purchasing policies.
- The School District has written bidding policies.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**Report for Termination of the Lordstown Local School District
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Cash Disbursements and Payroll Process

- The School District enters manual checks into the computer weekly.
- The School District has established and enforces written cash disbursement procedures to prevent instances where invoice dates precede the purchase order date.
- The School District has established written policies to ensure that a “Then and Now Certificate” is used in those rare situations where the fiscal officer’s certificate was not obtained prior to the purchase.
- The School District has established and enforces written cash disbursement procedures to prevent instances where disbursements are made against funds that create a negative cash balance in that fund.

Not Implemented

- Written procedures are not available for the accounts payable clerk’s position in the event someone else needs to step in for the accounts payable clerk. The School District is changing its software and will document the procedures when the software is fully implemented.

Debt Activity

In Process of Implementation

- All debt schedules of the State Department of Education’s Cash Basis Annual Financial Statement Report (4502) are completed except the future debt service requirements (statement M). The School District’s future debt service requirements are included in its annual financial report prepared in accordance with generally accepted accounting principles. This information will be added to the next report filed with the State Department of Education in July 2004.

Fixed Assets and Supplies Inventories

- The School District monitors the movement of assets from one location to another as it occurs.
- The School District has established a policy for fixed assets and consumable supplies inventory.
- The School District has developed a standard form to be used in completing a physical inventory of consumable supplies, which includes quantity, description, unit cost, extended cost and signature lines for the person that counted the items and checked them.

Not Implemented

- The fixed assets policy needs to be expanded to address valuing donated assets, assigning salvage values, and defining private property (items belonging to staff and students).

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**Report for Termination of the Lordstown Local School District
Financial Planning and Supervision Commission**

- The School District has not established detailed written procedures for recording and monitoring fixed assets and for consumable supplies inventory to supplement and facilitate implementation of the Board policy.

Cash Management and Investing

- The Treasurer prepares all bank reconciliations.
- Reconciling adjustments are corrected as soon as errors are recognized.
- The School District reconciles the payroll account to zero, specifically identifying amounts not yet paid, such as withholding taxes, various deductions for other taxes, and deductions for deferred compensation plans and credit unions.
- The School District has filed a copy of the investment policy with the Auditor of State's Office.
- The School District has eliminated petty cash funds.
- The School District allocates interest based upon State statute.

In Process of Implementation

- The School District has revised the change fund policy by Board resolution. However, management has not established procedures for the creation and custody of the change funds.

Financial Reporting

- The Treasurer does monthly bank reconciliations which reconcile to the fund balances with details of all adjustments which are available to the Board and the Financial Planning and Supervision Commission upon request.
- The School District prepares and publishes an annual financial report in accordance with generally accepted accounting principles (GAAP) each fiscal year consistent with Ohio Administrative Code requirements.
- The School District utilizes the A-site to ensure the availability of both software and hardware services in the event of a disaster.

Conclusion

Management has corrected, or is in the process correcting, many of the areas where the School District's accounting and reporting system were not in compliance with Section 117.43 of the Ohio Revised Code and the requirements of the Auditor of State. The School District has not addressed six areas, identified above as not implemented, that require corrective action. The issues addressed under the Budgetary Process have been reviewed with the treasurer and these should be eliminated in the new fiscal year. The remaining issues, documentation of procedures and additional Board policies, are to be corrected upon implementation of the new accounting software.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**Report for Termination of the Lordstown Local School District
Financial Planning and Supervision Commission**

2. - The Fiscal Emergency Conditions

In order to be released from fiscal emergency, the School District must have corrected each of the fiscal emergency conditions that were present at the time the fiscal emergency declaration was made and no new fiscal emergency conditions may have occurred. Under Section 3316.03, Revised Code, the criteria for fiscal emergency are as follows:

- a) An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
- b) The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first such plan was approved.
- c) The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency is necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
- d) A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
- e) The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

Conclusion

The results of our analysis of the fiscal emergency conditions are as follows:

- a) The School District no longer has an operating deficit in the general fund.
- b) The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.
- c) The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**Report for Termination of the Lordstown Local School District
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3. - The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated April 24, 2001, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

- a) Passage of an Operating Levy
- b) Reduction of Operating Expenditures
- c) Personnel Reductions
- d) Cost containment of Programs
- e) Building Capacity Efficiencies
- f) Development of Shared Resources with the Community

Actions taken to achieve the provisions of the plan include the following:

- a) Passage of a new five-year emergency operating levy in November 2001 that generates \$770,000 annually.
- b) The School District closed the Gordon D. James Career Center on June 30, 2002, which resulted in personnel reductions of 25 certified and 4 classified staff. In addition, other personnel reductions were made as follows:
 - Fiscal Year 2002 - reduction of 1 full-time administrative staff
- reduction of 6.17 full-time classified staff
- reduction of 4 full-time certified staff
 - Fiscal Year 2003 - reduction of 2 full-time classified staff
- reduction of 3 full-time certified staff
- c) Adjustment in fringe benefit and cafeteria programs which resulted in savings of \$162,000 and \$29,500, respectively.
- d) Adjustments to building capacity which resulted in savings of \$25,000.
- e) Currently leasing the Gordon D. James Career Center to the Trumbull Career and Technical Center which results in an increase in revenues of \$178,000 annually.

Conclusion

The objectives of the financial recovery plan have been met.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**Report for Termination of the Lordstown Local School District
Financial Planning and Supervision Commission**

4. - The Five Year Forecast

The Auditor of State examined the School District's financial forecast for the fiscal years ending June 30, 2004 through 2008, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

Conclusion

The School District's five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance through fiscal year 2007. The forecasted deficit for fiscal year 2008 does not meet the criteria of fiscal emergency. The Auditor of State, in a report dated May 27, 2004, rendered a "nonadverse" opinion on the financial forecast.

Summary

Based on our review, the Auditor of State has determined the following:

- a) The School District has adopted and implemented, or is in the process of implementing, policies for a sound accounting and reporting system; however, the Auditor of State will monitor the progress to insure full implementation within a two year period;
- b) The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency during that time period;
- c) The School District has met the major objectives of the Financial Recovery Plan; and,
- d) The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is "nonadverse".

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Lordstown Local School District and its functions may be terminated.

It is understood that this report's determination is for the use of the Lordstown Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, David Hines, Trumbull County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**Lordstown Local School District
Trumbull County**

Financial Forecast

For the Fiscal Years Ending June 30, 2004 Through 2008

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**Lordstown Local School District
Trumbull County**

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**Auditor of State
Betty Montgomery**

Board of Education
Lordstown Local School District
1824 Salt Spring Road
Warren, Ohio 44481

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the general fund of the Lordstown Local School District for the fiscal years ending June 30, 2004 through 2008. The Lordstown Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of Lordstown Local School District for the fiscal years ended June 30, 2001, 2002, and 2003 were compiled by us in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed this financial information, and, accordingly, do not express an opinion or any other form of assurance on them.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 27, 2004

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LORDSTOWN LOCAL SCHOOL DISTRICT - TRUMBULL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 THROUGH 2003 ACTUAL;
FOR THE FISCAL YEARS ENDING JUNE 30, 2004 THROUGH 2008 FORECASTED
GENERAL FUND

	Fiscal Year 2001 Actual	Fiscal Year 2002 Actual	Fiscal Year 2003 Actual	Fiscal Year 2004 Forecasted
Revenues				
General Property Tax (Real Estate)	\$2,577,000	\$2,852,000	\$3,055,000	\$3,062,000
Tangible Personal Property Tax	1,589,000	1,187,000	1,677,000	1,677,000
Income Tax	368,000	481,000	15,000	0
Unrestricted Grants-in-Aid	1,163,000	1,545,000	1,236,000	566,000
Restricted Grants-in-Aid	14,000	14,000	12,000	14,000
Property Tax Allocation	248,000	280,000	315,000	336,000
All Other Revenues	1,696,000	1,562,000	399,000	430,000
<i>Total Revenues</i>	<u>7,655,000</u>	<u>7,921,000</u>	<u>6,709,000</u>	<u>6,085,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	800,000	0	500,000	0
Solvency Assistance Advance	1,357,000	0	0	0
Operating Transfers In	0	125,000	0	0
Advances In	51,000	31,000	14,000	9,000
<i>Total Other Financing Sources</i>	<u>2,208,000</u>	<u>156,000</u>	<u>514,000</u>	<u>9,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>9,863,000</u>	<u>8,077,000</u>	<u>7,223,000</u>	<u>6,094,000</u>
Expenditures				
Personal Services	4,123,000	4,172,000	2,942,000	2,928,000
Employees' Retirement/Insurance Benefits	2,029,000	1,837,000	1,558,000	1,342,000
Purchased Services	965,000	958,000	958,000	878,000
Supplies and Materials	203,000	146,000	164,000	191,000
Capital Outlay	53,000	62,000	11,000	51,000
Debt Service:				
Principal-Notes	800,000	0	0	500,000
Principal-HB 264 Loans	112,000	113,000	114,000	115,000
Solvency Assistance Advance	0	679,000	678,000	0
Interest and Fiscal Charges	104,000	91,000	82,000	80,000
Other Objects	1,055,000	259,000	325,000	291,000
<i>Total Expenditures</i>	<u>9,444,000</u>	<u>8,317,000</u>	<u>6,832,000</u>	<u>6,376,000</u>
Other Financing Uses				
Operating Transfers Out	73,000	48,000	38,000	40,000
Advances Out	31,000	14,000	9,000	10,000
<i>Total Other Financing Uses</i>	<u>104,000</u>	<u>62,000</u>	<u>47,000</u>	<u>50,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>9,548,000</u>	<u>8,379,000</u>	<u>6,879,000</u>	<u>6,426,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	315,000	(302,000)	344,000	(332,000)
Cash Balance July 1,	288,000	603,000	301,000	645,000
Cash Balance June 30,	603,000	301,000	645,000	313,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	153,000	65,000	24,000	25,000
Reserve for Notes	0	0	500,000	0
Reserve for Textbooks and Instructional Materials	80,000	17,000	183,000	167,000
Reserve for Capital Improvements	0	10,000	0	0
Reserve for Budget Reserve	38,000	0	0	0
Reserve for Bus Purchase	30,000	40,000	50,000	60,000
<i>Total Encumbrances and Reserves</i>	<u>148,000</u>	<u>67,000</u>	<u>733,000</u>	<u>227,000</u>
Fund Balance (Deficit) June 30 for Certification of Appropriations	<u>302,000</u>	<u>169,000</u>	<u>(112,000)</u>	<u>61,000</u>
Revenue from Renewal Levies				
Property Tax - Renewal or Replacement	0	0	0	0
Cumulative Balance of Replacement/Renewal Levies	0	0	0	0
Unencumbered/Unreserved Fund Balance (Deficit) June 30	<u>\$302,000</u>	<u>\$169,000</u>	<u>(\$112,000)</u>	<u>\$61,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

Fiscal Year 2005 Forecasted	Fiscal Year 2006 Forecasted	Fiscal Year 2007 Forecasted	Fiscal Year 2008 Forecasted
\$3,083,000	\$3,105,000	\$2,628,000	\$2,390,000
1,689,000	1,677,000	1,645,000	1,284,000
0	0	0	0
566,000	566,000	487,000	408,000
14,000	14,000	14,000	14,000
337,000	339,000	310,000	253,000
634,000	649,000	442,000	442,000
<u>6,323,000</u>	<u>6,350,000</u>	<u>5,526,000</u>	<u>4,791,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
10,000	10,000	10,000	10,000
<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
<u>6,333,000</u>	<u>6,360,000</u>	<u>5,536,000</u>	<u>4,801,000</u>
3,055,000	3,214,000	3,380,000	3,553,000
1,226,000	1,356,000	1,509,000	1,680,000
833,000	882,000	882,000	909,000
197,000	203,000	209,000	215,000
15,000	15,000	15,000	15,000
0	0	0	0
116,000	118,000	119,000	121,000
0	0	0	0
72,000	66,000	61,000	55,000
299,000	308,000	318,000	327,000
<u>5,813,000</u>	<u>6,162,000</u>	<u>6,493,000</u>	<u>6,875,000</u>
40,000	40,000	40,000	40,000
10,000	10,000	10,000	10,000
<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
<u>5,863,000</u>	<u>6,212,000</u>	<u>6,543,000</u>	<u>6,925,000</u>
470,000	148,000	(1,007,000)	(2,124,000)
313,000	783,000	931,000	(76,000)
<u>783,000</u>	<u>931,000</u>	<u>(76,000)</u>	<u>(2,200,000)</u>
40,000	40,000	40,000	40,000
0	0	0	0
147,000	122,000	95,000	64,000
0	0	0	0
0	0	0	0
70,000	80,000	90,000	100,000
<u>217,000</u>	<u>202,000</u>	<u>185,000</u>	<u>164,000</u>
<u>526,000</u>	<u>689,000</u>	<u>(301,000)</u>	<u>(2,404,000)</u>
0	0	573,000	1,611,000
0	0	573,000	2,184,000
<u>\$526,000</u>	<u>\$689,000</u>	<u>\$272,000</u>	<u>(\$220,000)</u>

**Lordstown Local School District
Trumbull County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

Note 1 – The School District

Lordstown Local School District (the “School District”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District is located in Trumbull County and encompasses nearly all of the City of Lordstown. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. It is staffed by 24 classified employees and 45 certified full-time personnel who provide services to 549 students and other community members. The School District currently operates one elementary building and one middle/high school building.

Note 2 - Nature of the Forecast

The financial forecast presents, to the best of the Lordstown Local School District Board of Education's knowledge and belief, the expected revenues, expenditures, and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of May 27, 2004, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the emergency levy, vocational compact and disadvantaged pupil impact aid (DPIA) and the activity of the debt service fund related to the general fund supported debt.

Note 4 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements and encumbrances, which is consistent with the budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Lordstown Local School District
Trumbull County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

B. Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The Fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

C. Budgetary Process

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

**Lordstown Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

Budget – A budget of estimated cash receipts and disbursements is submitted to the Trumbull County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 - General Operating Assumptions

The Lordstown Local School District will continue to operate its instructional programs in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 6 - Significant Assumptions for Revenues and Other Financing Sources

A. General and Tangible Personal Property Taxes

Property taxes consist of real property, public utility real and personal property, manufactured home and tangible personal property taxes. Advances may be requested from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the forecast schedule in the account “property tax allocation”.

Historically, the School District does not receive advances against the August real estate tax settlement which is intended to finance the next fiscal year. The School District does not anticipate requesting any advances against the August real estate tax settlement during the forecast period. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances.

**Lordstown Local School District
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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the calendar year are recorded as revenue in the next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection

The property tax revenues for the School District's general fund are generated from several levies. The levies for the general fund, the year approved, last year of collection, and the full tax rate are as follows:

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per \$1,000 of assessed valuation)
Inside Ten Mill Limitation	n/a	n/a	\$6.90
Continuing Operating	1976	n/a	14.80
Continuing Operating	1991	n/a	9.50
Emergency (approved early)	2000	2006	6.60
Emergency	2001	2006	6.05
Total Tax Rate			<u><u>\$43.85</u></u>

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of property taxes as in the year in which the levy was approved. Increases to voted levy revenues, other than emergency and bond levies, are restricted to assessments for new construction. The reduction factors are computed annually and applied separately for residential/agricultural property and commercial/industrial property. The effective residential and agricultural rate is \$32.65 per \$1,000 of assessed valuation and the effective commercial and industrial rate is \$41.16 per \$1,000 of assessed valuation.

For fiscal years 2007 and 2008, there are two emergency levies expiring. The proceeds from the renewal of these levies are excluded from the general property tax revenues, tangible personal property tax revenues and the property tax allocation for fiscal years 2007 and 2008 because they are subject to voter approval. The estimated property tax revenues from these levies are presented in the account "Revenues from Renewal of Levies" in the forecast statement. The annual revenue generated from the 6.6 and 6.05 mill levies, the levies that will expire during the forecast period, is \$841,000 and \$770,000, respectively.

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenue. The School District anticipates a small increase in real estate taxes each year because of new construction; however, this revenue is also adjusted for the following:

1. In fiscal year 2007, a decrease of one-half of the annual revenues (gross proceeds less delinquencies) from the expiring 6.6 mill, five-year emergency operating levy and the expiring 6.05 mill, five-year emergency operating levy and;
2. In fiscal year 2008, a loss of the entire annual revenues (gross proceeds less delinquencies) 6.6 mill, five-year emergency operating levy and 6.05 mill, five-year emergency operating levy.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

Tangible Personal Property Tax - Tangible personal property tax is applied to property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues for fiscal year 2004 are based upon information provided by the Trumbull County Auditor. Based upon these estimates, the School District anticipates receiving \$1,677,000 in tangible personal property tax revenue in fiscal year 2004, which is consistent with the prior year. The remaining fiscal years are based on the anticipated returns filed with the County Auditor, the reduction in the assessed valuation percentage for the inventory portion of the personal property tax, and the expiring emergency levies mentioned above.

B. Income Tax

On November 7, 2000, the voters approved an agreement, between the Village of Lordstown and the Lordstown Local School District, to share 30 percent of the existing .5 percent Village income tax levy. The tax is levied on the income of the residents of the Village of Lordstown and non-residents working in the Village of Lordstown. The agreement required the Village to pay to the School District 30 percent of the tax collected in calendar year 2001 and allowed the School District to use the revenues for general operating expenses and capital improvements. The School District will not be receiving any income tax monies during the forecast period.

C. Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid include State Foundation payments and reimbursement for lost revenue due to utility deregulation. State Foundation payments include formula aid and various categorical aid programs such as special and gifted education, career and technical education, and transportation. Other programs such as equity and parity aid, excess cost supplement, and charge-off supplement are provided to address certain policy issues or correct flaws in formula aid and are also included in this revenue.

The State's foundation program is established by Chapter 3317 of the Ohio Revised Code. The semi-monthly payments are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) times a per pupil foundation level (adjusted for a regional cost of doing business factor set by the State legislature) less the equivalent of 23 mills times the school district's taxable property valuation. The per pupil foundation level for fiscal year 2001 was set by State legislature at \$4,294, \$4,490 for 2002 and \$4,949 for 2003. In 2003, State law set the base cost per pupil for fiscal year 2004 at \$5,058 and \$5,169 for fiscal year 2005. The base cost per pupil for fiscal years 2006 through 2008 is yet to be set by the Ohio General Assembly. It is anticipated that similar increases as in the last State bi-annual budget will be approved.

The School District receives no State foundation revenue under the State Basic Aid formula. However, the School District receives \$408,000 in the Basic Aid Guarantee. The School District does not anticipate receiving any more than the guaranteed amount for the entire forecast period. Basic State Guarantee is the amount of additional aid on top of the current years' calculated State basic aid needed to bring the School District up to the fiscal year 1998 funding level, the guaranteed amount. The large decrease in State foundation revenues in 2004 is due to the School District closing the Career Center in the prior fiscal year.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes is used to reimburse school districts for the loss of public utility property tax revenue. Reimbursements are to be made twice a year in February and August. The School District is anticipating \$158,000 in public utility reimbursements in fiscal years 2004 through 2006,

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

\$79,000 in fiscal year 2007 and nothing in fiscal year 2008, which is based on information provided by the Ohio Department of Taxation.

D. Restricted Grants-in-Aid

Restricted grants-in-aid consist of a bus purchase allowance that is projected to remain consistent for fiscal years 2004 through 2008 in the amount of \$14,000. The increase for fiscal year 2004 is based on information provided from the Department of Education.

E. Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the homestead and rollback tax relief programs.

Property tax allocation revenue, based on information provided by the Trumbull County Auditor, is anticipated to increase \$21,000 during fiscal year 2004. The forecast reflects a decrease during fiscal years 2007 through 2008 due to the loss of revenues from expiring emergency operating levies mentioned above.

F. All Other Revenues

All other revenues include interest on investments, rentals, and miscellaneous receipts from local sources.

	Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Interest on Investments	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Rentals	84,000	59,000	59,000	59,000	59,000
Refund of Prior Year Expenditures	31,000	31,000	31,000	31,000	31,000
Payment in Lieu of Taxes	101,000	316,000	316,000	316,000	316,000
Miscellaneous					
Trumbull Career and Technical Center	178,000	192,000	207,000	0	0
Other	24,000	24,000	24,000	24,000	24,000
Totals	\$430,000	\$634,000	\$649,000	\$442,000	\$442,000

Interest revenue was higher prior to fiscal year 2003 because the School District had more cash available to invest. However, during fiscal year 2003, interest revenue decreased significantly due to declining interest rates. Forecasted interest is expected to remain consistent with fiscal year 2003. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has recorded all interest revenue to the general fund.

Rental receipts are decreasing in fiscal years 2005 through 2008 due to General Motors utilizing the School District buildings for special trainings in fiscal year 2004. The School District is expecting the normal usage to continue in fiscal years 2005 to 2008.

Refund of Prior Year Expenditures is expected to remain consistent through out the forecasted period.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

During fiscal year 1996, General Motors and the Lordstown Local School District agreed to a settlement, which would ensure that Lordstown Local School District would receive at least forty percent of the personal property tax that would otherwise be authorized to levy on tangible personal property tax covered under certain programs. During fiscal year 2000, the Board of Education passed a resolution to have the General Motors monies placed in the general fund instead of the capital projects fund. The School District is forecasting \$85,000 for fiscal year 2004 which is consistent with prior fiscal years. For fiscal years 2005 through 2008, the School District is forecasting \$300,000 in revenues due to the abatement agreement with General Motors for the new product line that will start in 2005.

The Village of Lordstown entered into a Community Reinvestment Area Compensation Agreement with Con-Way Transportation Services, Incorporated and the Lordstown Board of Education. This agreement states that in lieu of a ten year, fifty percent real estate tax abatement, the Village of Lordstown will share income tax revenues generated by Con-Way Transportation Services, Inc. with the Lordstown Board of Education. For fiscal year 2004, the School District has received \$16,000. For fiscal years 2005 through 2008, the School District is forecasting to receive an amount consistent with fiscal year 2004.

Miscellaneous receipts include the lease revenue from the Trumbull Career and Technical Center and other miscellaneous revenue which consists of donations, transportation costs of events and book fines. The lease agreement with the Trumbull Career and Technical Center will expire in fiscal year 2006 and is not anticipated to be renewed.

G. Other Financing Sources

Proceeds of Notes

Proceeds of notes represents receipts from the issuance of tax anticipation notes for short term cash flow borrowing. During fiscal year 2003, the School District issued \$500,000, 2.97 percent notes. The note matured on September 30, 2003. No other sale of notes is anticipated during the forecasted period.

Transfers In

Transfers in represent amounts received from other funds in the forecast year. During fiscal year 2002, the \$125,000 represents monies from an agency fund set up to hold retirement and workers' compensation payments due to the respective agencies. No transfers forecasted during fiscal years 2004 to 2008.

Advances In

Advances in represents amounts loaned to grant funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund is expected to receive \$9,000 in advances during fiscal year 2004 and \$10,000 in fiscal years 2005 through 2008.

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Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

Note 7 - Significant Assumptions for Expenditures and Other Financing Uses

A. Personal Services

Personal services expenditures represent the salaries and wages paid to certified, classified and administrative staff, substitutes and board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis.

The School District had a reduction in force of 39.17 full-time employees in fiscal year 2002 and 5 full-time employees in fiscal year 2003. For the forecast period the School District is not anticipating any significant changes in staffing levels from fiscal year 2004.

Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of July 1, 2003 to June 30, 2006 and allows for a 3.5 percent increase in base salary as well as a step increase of approximately 2 percent in each year of the contract. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period of September 1, 2003 to August 31, 2006 and allows for the same base and step increases. Fiscal years 2007 and 2008 are based on the historical trends of the School District. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its retiring employees. Certified employees with five years of service receive a payment of one-third percent of unused sick leave up to a maximum of seventy days. Classified employees receive a payment of one-third of their unused sick leave up to a maximum of two hundred ten days. For the forecast period, severance payments are anticipated to increase slightly based on the number of employees eligible to retire during the forecast period.

Presented below is a comparison of salaries and wages for fiscal years 2004 through 2008.

	Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Certified Salaries	\$2,153,000	\$2,245,000	\$2,368,000	\$2,499,000	\$2,636,000
Classified Salaries	489,000	516,000	544,000	574,000	606,000
Substitute Salaries	85,000	85,000	85,000	85,000	85,000
Supplemental Contracts	120,000	122,000	122,000	122,000	122,000
Severance Pay	64,000	67,000	72,000	77,000	81,000
Other Salaries and Wages	17,000	20,000	23,000	23,000	23,000
Totals	<u>\$2,928,000</u>	<u>\$3,055,000</u>	<u>\$3,214,000</u>	<u>\$3,380,000</u>	<u>\$3,553,000</u>

B. Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of fourteen percent of salaries of STRS and SERS members. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next calendar year. The School District pays the employee's retirement contributions for certain administrative staff.

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Summary of Significant Assumptions and Accounting Policies
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Medicare benefits are based on the employers' rate of 1.45 percent of the payroll costs for contributing staff. Worker's compensation premiums are based on the School District's current rate and the anticipated salaries for the fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and the annual increases in monthly premiums. The School District pays 100 percent of the health care premium. Health care costs for fiscal years 2004 and 2005 are decreasing due to the School District switching insurance providers. Effective March 2004, the monthly premium for single and family coverage is \$371.78 and \$1,022.38, respectively. Prior to March 2004, the single and family monthly premiums were \$406.22 and \$1,040.26, respectively. During the remainder of the forecast period, the School District anticipates health insurance premiums will increase 15 percent annually based upon industry trends.

Life insurance premiums are based on the coverage amount, the anticipated number of employees participating in the program and the monthly premiums.

Unemployment benefits are anticipated to decrease during fiscal years 2005 through 2008 due to employees either receiving other employment or having the time period being exhausted.

The School District offers a tuition reimbursement program to its employees. The forecast period of fiscal years 2004 through 2008 is based upon prior year history.

The School District offered a three-year Early Retirement Incentive Plan (ERIP) for its certified employees for calendar years 1998, 1999, and 2000. In the first year, the plan was available to the greater of nine individuals or five percent of all eligible certified staff. In the second and third years, the plan was available to the greater of six individuals or five percent of all eligible staff. Payments under the plan to STRS in 2001, 2002 and 2003 were \$257,000, \$116,000 and \$94,000, respectively. There are no ERIP payments forecasted since the Plan has expired.

Presented below is a comparison of fiscal years 2004 through 2008.

	Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
STRS Retirement	\$324,000	\$337,000	\$353,000	\$372,000	\$392,000
SERS Retirement	107,000	99,000	103,000	108,000	113,000
Medicare	33,000	34,000	36,000	38,000	40,000
Workers' Compensation	17,000	18,000	18,000	19,000	20,000
Health Care/Life Insurance	844,000	729,000	837,000	963,000	1,106,000
Unemployment	9,000	0	0	0	0
Tuition Reimbursement	8,000	8,000	8,000	8,000	8,000
Social Security	0	1,000	1,000	1,000	1,000
Totals	<u>\$1,342,000</u>	<u>\$1,226,000</u>	<u>\$1,356,000</u>	<u>\$1,509,000</u>	<u>\$1,680,000</u>

**Lordstown Local School District
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Summary of Significant Assumptions and Accounting Policies
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C. Purchased Services

Presented below is a comparison of forecasted purchased service expenditures for fiscal years 2004 through 2008.

	Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Professional and Technical Services	\$116,000	\$49,000	\$75,000	\$51,000	\$52,000
Property Services	110,000	113,000	116,000	120,000	124,000
Travel and Meeting Expenses	8,000	8,000	9,000	9,000	9,000
Communication Costs	40,000	41,000	42,000	44,000	45,000
Utility Services	367,000	378,000	389,000	400,000	412,000
Contracted Craft/Trade	41,000	42,000	43,000	45,000	46,000
Tuition Payments	136,000	140,000	144,000	148,000	153,000
Pupil Transportation	60,000	62,000	64,000	65,000	68,000
Totals	\$878,000	\$833,000	\$882,000	\$882,000	\$909,000

The School District is anticipating a \$80,000 decrease in purchase services from fiscal year 2003 due to boiler repair costs and legal fees.

The expenditures for fiscal year 2005 shows a decrease due fewer boiler repair costs and legal fees. The School District replaced the existing boiler with a new one in fiscal year 2004. Fiscal year 2006 increased due to the School District entering into negotiations for the two expiring contracts. The remaining purchased services are expected to increase 3 percent annually.

D. Supplies and Materials

Presented below is a comparison of forecasted supplies and materials expenditures for fiscal years 2004 through 2008.

	Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
General Supplies, Library Books and Periodicals	\$56,000	\$58,000	\$59,000	\$61,000	\$63,000
Operations, Maintenance and Repair	72,000	74,000	77,000	79,000	81,000
Textbooks	63,000	65,000	67,000	69,000	71,000
Totals	\$191,000	\$197,000	\$203,000	\$209,000	\$215,000

Supplies and materials decreased \$27,000 during fiscal year 2004 due to fewer supplies being purchased than in fiscal year 2003. The School District forecasted a 3 percent increase for fiscal years 2005 through 2008. The School District intends to purchase supplies and materials as necessary and to satisfy its annual set-aside requirements.

Lordstown Local School District
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Summary of Significant Assumptions and Accounting Policies
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E. Capital Outlay

Property, plant, and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

During fiscal year 2004, the School District purchased a new boiler resulting in a \$40,000 increase from the prior fiscal year in capital outlay. The remainder of the forecasted period is expected to be consistent with fiscal year 2003 with a slight increase for new equipment.

F. Debt Service

General fund supported debt consists of cash flow borrowing in the amount of \$500,000 in tax anticipation notes during fiscal year 2003, the Solvency Assistance advance and a House Bill 264 loan being repaid over 15 years. The \$500,000 tax anticipation note was repaid in fiscal year 2003 with \$3,000 in interest. The Solvency Assistance advance was repaid in the amount of \$678,000 in fiscal year 2003 with the remaining balance in 2004. The House Bill 264 loan principal and interest amounts are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$115,000	\$77,000	\$192,000
2005	116,000	72,000	188,000
2006	118,000	66,000	184,000
2007	119,000	61,000	180,000
2008	121,000	55,000	176,000
2009 - 2013	632,000	179,000	811,000
2014 - 2015	268,000	23,000	291,000
Totals	<u>\$1,489,000</u>	<u>\$533,000</u>	<u>\$2,022,000</u>

G. Other Objects

This account includes dues, fees, liability insurance and other miscellaneous goods and services not otherwise classified in other accounts. For fiscal year 2004, the School District is projecting \$291,000 of expenditures in this area. In the fiscal year 2003, the School District made a contingent premium payment for employee medical insurance in the amount of \$46,000 due to claims exceeding the annual premiums. No additional payments are anticipated in the future. This is not anticipated to re-occur in the forecasted period. These expenditures are anticipated to increase approximately three percent in fiscal years 2005 through 2008.

H. Operating Transfers and Advances

The School District is forecasting transfers out in each fiscal year of the forecast period in the amount of \$40,000 to the food service fund and is forecasting advances out in each fiscal year of the forecast period in the amount of \$10,000 to the grant funds.

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Summary of Significant Assumptions and Accounting Policies
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Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on the budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Historically, encumbrances have range from \$24,000 to \$153,000. For fiscal year 2004, the School District anticipates that encumbrances will be consistent with fiscal year 2003. For fiscal years 2005 through 2008, the School District anticipates encumbrances to remain constant at \$40,000 with no significant fluctuations.

Note 9 - Reservations of Fund Balance

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in the future years.

At year end, any balances for disadvantaged pupil impact aid and bus purchases from the previous years plus any receipts from the current year that have not been spent must be carried forward to be used for appropriate purposes in future years.

A. Notes

The School District issued a \$500,000 in tax anticipation note on June 24, 2003, in anticipation of fiscal year 2004 property tax revenues. State law allows for tax anticipation notes to be issued within ten days of the new fiscal year provided none of the note proceeds are considered available for appropriation until the new fiscal year and none of the proceeds are expended prior to the first day of the new fiscal year.

B. Textbooks and Instructional Materials

The set aside requirement for fiscal year 2004 is \$103,000. There was a carryover of \$183,000 from fiscal year 2003. The School District anticipates \$119,000 in qualifying expenditures in fiscal year 2004, leaving a \$167,000 reserve balance. For fiscal years 2005 through 2008, the School District has forecasted expenditures in excess of the set aside requirement each year thereby reducing the reserve each year.

C. Acquisition and Construction of Capital Improvements

The set aside requirement for fiscal year 2004 is \$103,000. Historically, the School District has not carried a balance forward to the subsequent fiscal years for capital acquisitions and improvements. The required set aside amount is spent during the fiscal year. The School District does not anticipate a reserve in future years.

**Lordstown Local School District
Trumbull County**

Summary of Significant Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2004 through 2008

D. Bus Purchases

The School District had a bus purchase allowance balance at the end of fiscal year 2003 in the amount of \$50,000. The School District received \$10,000 in bus purchase allowance during fiscal year 2004 leaving a \$60,000 reserve balance. The School District has no definite plans to purchase any buses for the remainder of the forecast period.

E. DPIA

The School District anticipates receiving \$4,000 in restricted DPIA monies during fiscal year 2004. The School District also anticipates spending the entire amount. Therefore, there is no reserve included for DPIA in fiscal year 2004. Historically, the School District has not carried a balance forward to the subsequent fiscal years for restricted DPIA. The School District does not anticipate a reserve in future years.

Note 10 - Levies

During the forecast period two levies will expire. The Board plans to place the \$841,000 emergency operating levy and the \$770,000 emergency operating levy which expires in fiscal year 2006. In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results is follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1996	Emergency	\$841,000	5 Years	Passed
November 2000	Emergency	841,000	5 Years	Passed
November 2001	Emergency	770,000	5 Years	Passed

Note 11 - Pending Litigation

There are currently no matters in litigation with the School District as defendant.

Note 12 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.



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Betty Montgomery**

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LORDSTOWN LOCAL SCHOOL DISTRICT

TRUMBULL 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
JULY 15, 2004**