



**Auditor of State
Betty Montgomery**

**POLAND LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Poland Local School District
Mahoning County
30 Riverside Dr.
Poland, Ohio 44514

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Poland Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Poland Local School District, Mahoning County, Ohio, as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

May 12, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The discussion and analysis of Poland 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, 2003. 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 2003 are as follows:

- In total, net assets of governmental activities decreased \$306,736 which represents a 10.10% decrease from 2002.
- General revenues accounted for \$16,335,613 in revenue or 88.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,055,660 or 11.18% of total revenues of \$18,391,273.
- The District had \$18,698,009 in expenses related to governmental activities; only \$2,055,660 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 \$16,335,613 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and building fund. The general fund had \$15,063,518 in revenues and other financing sources and \$15,988,959 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance decreased \$916,762 from \$(1,071,160) to \$(1,987,922).
- The District's bond retirement fund had \$1,973,610 in revenues and \$1,854,471 in expenditures. During fiscal 2003, the bond retirement fund's fund balance increased \$119,139 from \$547,269 to \$666,408.
- The District's building fund had \$136,943 in revenues and \$1,765,414 in expenditures. During fiscal 2003, the building fund's fund balance decreased \$1,628,471 from \$5,356,284 to \$3,727,813.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund 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, bond retirement fund and building fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities 2003
<u>Assets</u>	
Current and other assets	\$ 14,409,829
Capital assets	6,094,987
Total assets	20,504,816
<u>Liabilities</u>	
Current liabilities	11,283,858
Long-term liabilities	12,563,490
Total liabilities	23,847,348
<u>Net Assets</u>	
Restricted	4,642,241
Unrestricted	(7,984,773)
Total net assets	\$ (3,342,532)

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's liabilities exceeded assets by \$3,342,532. At year-end, restricted net assets were \$4,642,241.

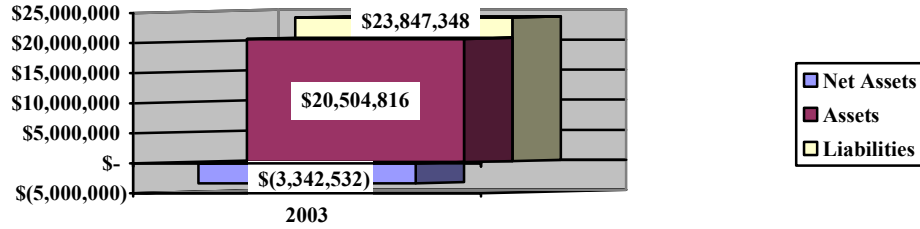
At year-end, capital assets represented 29.72% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$4,642,241, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$(7,984,773) may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 1,165,118
Operating grants and contributions	828,052
Capital grants and contributions	62,490
General revenues:	
Property taxes	9,115,211
Grants and entitlements	6,853,787
Investment earnings	184,293
Other	182,322
Total revenues	<u>18,391,273</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	9,257,404
Special	842,680
Vocational	299,692
Other	114,733
Support services:	
Pupil	1,223,671
Instructional staff	414,988
Board of education	33,397
Administration	1,287,319
Fiscal	407,868
Business	1,638
Operations and maintenance	1,450,027
Pupil transportation	954,940
Central	13,556
Operations of non-instructional services	332,342
Food service operations	771,143
Extracurricular activities	665,000
Intergovernmental pass through	
Interest and fiscal charges	<u>627,611</u>
Total expenses	<u>18,698,009</u>
Decrease in net assets	<u>\$ (306,736)</u>

Governmental Activities

Net assets of the District's governmental activities decreased by \$306,736. Total governmental expenses of \$18,698,009 were offset by program revenues of \$2,055,660 and general revenues of \$16,335,613. Program revenues supported 10.99% of the total governmental expenses.

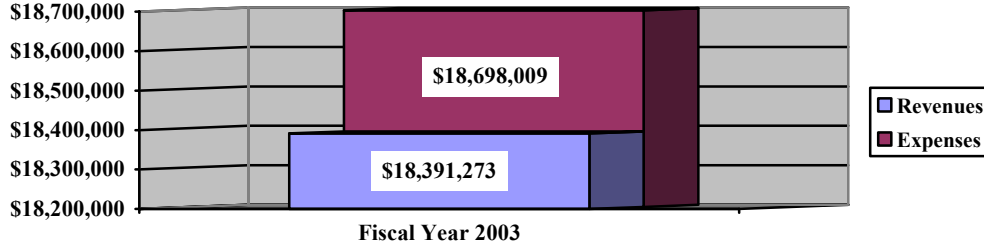
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 86.83% of total governmental revenue. Real estate property is reappraised every six years.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

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. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses		
Instruction:		
Regular	\$ 9,257,404	\$ 9,127,027
Special	842,680	720,695
Vocational	299,692	293,295
Other	114,733	(10,180)
Support services:		
Pupil	1,223,671	1,197,837
Instructional staff	414,988	333,045
Board of education	33,397	33,397
Administration	1,287,319	1,152,166
Fiscal	407,868	407,868
Business	1,638	1,638
Operations and maintenance	1,450,027	1,447,689
Pupil transportation	954,940	897,460
Central	13,556	8,956
Operations of non-instructional services	332,342	(24,610)
Food service operations	771,143	61,687
Extracurricular activities	665,000	366,768
Interest and fiscal charges	627,611	627,611
Total expenses	<u>\$ 18,698,009</u>	<u>\$ 16,642,349</u>

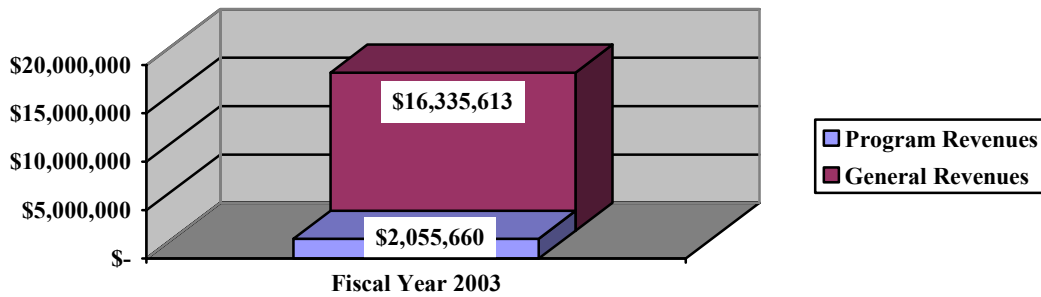
**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The dependence upon tax and other general revenues for governmental activities is apparent, 96.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.01%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,084,201, which is lower than last year's total of \$4,313,055. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Fund Balance <u>June 30, 2002</u>	Increase <u>(Decrease)</u>
General	\$ (1,987,922)	\$ (1,071,160)	\$ (916,762)
Bond Retirement	666,408	547,269	119,139
Building	3,727,813	5,356,284	(1,628,471)
Other Governmental	<u>(322,098)</u>	<u>(519,338)</u>	<u>197,240</u>
Total	<u>\$ 2,084,201</u>	<u>\$ 4,313,055</u>	<u>\$ (2,228,854)</u>

General Fund

The District's general fund balance decreased by \$916,762 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to property tax and intergovernmental revenue decreases. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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	2003 <u>Amount</u>	Restated 2002 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 6,895,003	\$ 7,993,167	(13.74) %
Tuition	23,536	-	100.00 %
Earnings on investments	47,350	63,340	(25.24) %
Intergovernmental	6,786,183	7,016,703	(3.29) %
Other revenues	<u>311,446</u>	<u>136,795</u>	127.67 %
Total	<u>\$ 14,063,518</u>	<u>\$ 15,210,005</u>	(7.54) %
<u>Expenditures</u>			
Instruction	\$ 10,162,268	\$ 9,683,148	4.95 %
Support services	5,411,957	5,895,852	(8.21) %
Extracurricular activities	329,340	312,306	5.45 %
Debt service	<u>6,509</u>	<u>37,433</u>	(82.61) %
Total	<u>\$ 15,910,074</u>	<u>\$ 15,928,739</u>	(0.12) %

Bond Retirement Fund

The District's bond retirement fund balance increased by \$119,139 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The increase in fund balance can be attributed to property tax revenue increases.

Building Fund

The District's building fund balance decreased by \$1,628,471 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to an increase in facilities acquisition and construction expenses.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$14,950,486, which approximates the original budgeted revenues estimate of \$14,831,005. Actual revenues and other financing sources for fiscal 2003 was \$14,939,286. This represents a \$11,200 decrease over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,970,588 were increased to \$16,080,150 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$15,944,846, which was \$135,304 less than the final budget appropriations. The increases in appropriations were caused by the District's health insurance rates increasing at a pace greater than estimated

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$6,094,987 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 304,780	\$ 304,780
Land improvements	-	-
Building and improvements	3,005,862	3,148,944
Furniture and equipment	244,289	281,553
Vehicles	611,978	723,948
Construction in progress	<u>1,928,078</u>	<u>159,655</u>
Total	<u>\$ 6,094,987</u>	<u>\$ 4,618,880</u>

The primary increase occurred in construction in progress. Total additions to capital assets for 2003 were \$1,781,423 and total disposals were \$604 (net of accumulated depreciation). The District recorded \$304,712 in depreciation expense for fiscal 2003.

Debt Administration

At June 30, 2003, the District had \$11,425,056 in general obligation bonds, energy conservation notes and lease obligations outstanding. Of this total, \$463,456 is due within one year and \$10,961,600 is due within greater than one year. The following table summarizes the bonds, notes and lease obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2003</u>	<u>2002</u>
General obligation bonds	\$ 5,527,676	\$ 5,673,877
Energy conservation notes	524,535	668,719
Permanent improvement note	-	92,000
Lease obligations	<u>5,372,845</u>	<u>5,506,420</u>
Total	<u>\$ 11,425,056</u>	<u>\$ 11,941,016</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The energy conservation notes were received in 1996. These notes are scheduled to mature in fiscal year 2004 and bear an interest rate of 5.30%. Payment of principal and interest on the energy conservation note is being made from the bond retirement fund.

The general obligation bonds are scheduled to mature in fiscal year 2022 and bear an interest rates ranging from 4.00% - 5.85%. Payment of principal and interest on the general obligation bonds is being made from the bond retirement fund.

The lease obligations were received in 2002. These lease obligations are scheduled to mature in fiscal year 2027. Payment of principal and interest on the lease obligations are being made from the general fund.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District is in a situation where an operating levy may have to be passed by District voters in 2006 in order for the District to obtain the necessary funds to meet its operating expenses in fiscal year 2007.

Another challenge facing the District is the completion of the various construction projects undertaken through Phase III. Approximately \$5.5 million in school renovations are scheduled under the Phase III project. All construction projects are expected to be completed by fiscal year 2005.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

In conclusion, the District has committed itself to financial excellence for many years. The District's system of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Donald Stanovcak, Treasurer, Poland Local School District, 30 Riverside Drive, Poland, Ohio 44514.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,966,125
Investments	127,965
Receivables:	
Taxes	9,282,150
Accounts	5,672
Intergovernmental	10,224
Accrued interest	335
Materials and supplies inventory	17,358
Capital assets:	
Land and construction in progress.	2,232,858
Depreciable capital assets, net	3,862,129
Total capital assets, net	6,094,987
 Total assets.	 20,504,816
 Liabilities:	
Accounts payable.	27,826
Accrued wages and benefits	2,040,427
Pension obligation payable.	378,088
Intergovernmental payable	78,474
Deferred revenue	8,586,264
Accrued interest payable	172,779
Long-term liabilities:	
Due within one year.	670,022
Due within more than one year	11,893,468
 Total liabilities	 23,847,348
 Net Assets:	
Restricted for:	
Capital projects	4,041,082
Debt service.	597,351
Other purposes	3,808
Unrestricted (deficit)	(7,984,773)
 Total net assets	 \$ (3,342,532)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 9,257,404	\$ 73,886	\$ 56,491	\$ -	\$ (9,127,027)
Special	842,680	-	121,985	-	(720,695)
Vocational	299,692	6,397	-	-	(293,295)
Other	114,733	124,913	-	-	10,180
Support services:					
Pupil	1,223,671	-	25,834	-	(1,197,837)
Instructional staff	414,988	-	44,809	37,134	(333,045)
Board of education	33,397	-	-	-	(33,397)
Administration	1,287,319	-	109,797	25,356	(1,152,166)
Fiscal	407,868	-	-	-	(407,868)
Business	1,638	-	-	-	(1,638)
Operations and maintenance	1,450,027	-	2,338	-	(1,447,689)
Pupil transportation	954,940	15,186	42,294	-	(897,460)
Central	13,556	-	4,600	-	(8,956)
Operation of non-instructional services	332,342	20,985	335,967	-	24,610
Food service operations	771,143	625,519	83,937	-	(61,687)
Extracurricular activities	665,000	298,232	-	-	(366,768)
Interest and fiscal charges	627,611	-	-	-	(627,611)
Total governmental activities	\$ 18,698,009	\$ 1,165,118	\$ 828,052	\$ 62,490	(16,642,349)

General Revenues:

Property taxes levied for:	
General purposes	6,768,876
Debt service	1,971,939
Capital projects	374,396
Grants and entitlements not restricted	
to specific programs	6,853,787
Investment earnings	184,293
Miscellaneous	182,322
Total general revenues	16,335,613
Change in net assets	(306,736)
Net assets at beginning of year	(3,035,796)
Net assets at end of year	\$ (3,342,532)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 205,759	\$ 666,408	\$ 3,727,813	\$ 288,910	\$ 4,888,890
Investments	127,965	-	-	-	127,965
Receivables:					
Taxes	7,828,821	1,149,694	-	303,635	9,282,150
Accounts	-	-	-	5,672	5,672
Intergovernmental	-	-	-	10,224	10,224
Accrued interest	335	-	-	-	335
Materials and supplies inventory	8,679	-	-	8,679	17,358
Restricted assets:					
Equity in pooled cash and cash equivalents	77,235	-	-	-	77,235
Total assets	<u>\$ 8,248,794</u>	<u>\$ 1,816,102</u>	<u>\$ 3,727,813</u>	<u>\$ 617,120</u>	<u>\$ 14,409,829</u>
Liabilities:					
Accounts payable	\$ 20,861	\$ -	\$ -	\$ 6,965	\$ 27,826
Accrued wages and benefits	1,929,708	-	-	110,719	2,040,427
Compensated absences payable	163,674	-	-	-	163,674
Pension obligation payable	219,060	-	-	18,499	237,559
Intergovernmental payable	74,592	-	-	3,882	78,474
Deferred revenue	7,828,821	1,149,694	-	308,381	9,286,896
Energy conservation notes payable	-	-	-	490,772	490,772
Total liabilities	<u>10,236,716</u>	<u>1,149,694</u>	<u>-</u>	<u>939,218</u>	<u>12,325,628</u>
Fund Balances:					
Reserved for encumbrances	30,566	-	200,642	85,644	316,852
Reserved for materials and supplies inventory	8,679	-	-	8,679	17,358
Reserved for debt service	-	666,408	-	-	666,408
Reserved for BWC refunds	77,235	-	-	-	77,235
Unreserved:					
Designated for budget stabilization	147,765	-	-	-	147,765
Undesignated, reported in:					
General fund	(2,252,167)	-	-	-	(2,252,167)
Special revenue funds	-	-	-	62,946	62,946
Capital projects funds	-	-	3,527,171	(479,367)	3,047,804
Total fund balances	<u>(1,987,922)</u>	<u>666,408</u>	<u>3,727,813</u>	<u>(322,098)</u>	<u>2,084,201</u>
Total liabilities and fund balances	<u>\$ 8,248,794</u>	<u>\$ 1,816,102</u>	<u>\$ 3,727,813</u>	<u>\$ 617,120</u>	<u>\$ 14,409,829</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$	2,084,201
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			6,094,987
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	695,886	
Intergovernmental revenue		4,746	
Total			700,632
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		5,527,676	
General obligation notes		33,763	
Lease purchase agreement		5,372,845	
Compensated absences		974,760	
Pension benefit obligation		140,529	
Accrued interest payable		172,779	
Total			(12,222,352)
Net assets of governmental activities		\$	(3,342,532)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 6,895,003	\$ 1,906,006	\$ -	\$ 304,080	\$ 9,105,089
Tuition	23,536	-	-	87,623	111,159
Charges for services	-	-	-	625,519	625,519
Earnings on investments	47,350	-	136,943	-	184,293
Extracurricular	-	-	-	298,232	298,232
Other local revenues	311,446	-	-	16,084	327,530
Intergovernmental - state	6,786,183	67,604	-	432,955	7,286,742
Intergovernmental - federal	-	-	-	437,841	437,841
Total revenue	14,063,518	1,973,610	136,943	2,202,334	18,376,405
Expenditures:					
Current:					
Instruction:					
Regular	9,112,694	-	-	48,874	9,161,568
Special	712,536	-	-	117,042	829,578
Vocational	310,477	-	-	-	310,477
Other	26,561	-	-	88,805	115,366
Support Services:					
Pupil	1,189,263	-	-	25,539	1,214,802
Instructional staff	318,582	-	-	84,954	403,536
Board of education	20,811	-	12,738	-	33,549
Administration	1,207,727	9,155	-	113,663	1,330,545
Fiscal	405,671	-	-	-	405,671
Business	1,638	-	-	-	1,638
Operations and maintenance	1,447,436	-	-	5,033	1,452,469
Pupil transportation	818,017	-	-	41,435	859,452
Central	2,812	-	-	10,684	13,496
Operation of non-instructional services	-	-	-	340,408	340,408
Food service operations	-	-	-	760,598	760,598
Extracurricular activities	329,340	-	-	319,568	648,908
Facilities acquisition and construction	-	-	1,752,676	45,752	1,798,428
Debt service:					
Principal retirement	6,420	1,274,482	-	82,795	1,363,697
Interest and fiscal charges	89	570,834	-	7,508	578,431
Total expenditures	15,910,074	1,854,471	1,765,414	2,092,658	21,622,617
Excess of revenues over expenditures	(1,846,556)	119,139	(1,628,471)	109,676	(3,246,212)
Other financing sources (uses):					
Transfers in	-	-	-	78,885	78,885
Transfers out	(78,885)	-	-	-	(78,885)
Proceeds from sale of notes	1,000,000	-	-	-	1,000,000
Total other financing sources (uses)	921,115	-	-	78,885	1,000,000
Net change in fund balances	(925,441)	119,139	(1,628,471)	188,561	(2,246,212)
Fund balances at beginning of year (restated)	(1,071,160)	547,269	5,356,284	(519,338)	4,313,055
Increase in reserve for inventory	8,679	-	-	8,679	17,358
Fund balances at end of year	\$ (1,987,922)	\$ 666,408	\$ 3,727,813	\$ (322,098)	\$ 2,084,201

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**POLAND 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, 2003

Net change in fund balances - total governmental funds	\$	(2,246,212)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,781,423) exceeds depreciation expense (\$304,712) in the current period.		1,476,711
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(604)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		14,868
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities they are reported as an expense when consumed.		17,358
Proceeds of notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		(1,000,000)
Repayment of bond, note, capital lease and lease purchase agreement principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,363,697
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(49,180)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		116,626
Change in net assets of governmental activities	\$	(306,736)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**POLAND 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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 7,015,498	\$ 7,067,458	\$ 6,895,003	\$ (172,455)
Tuition.	23,269	23,500	23,536	36
Earnings on investments.	44,559	45,000	47,076	2,076
Other local revenues.	123,180	124,400	187,488	63,088
Intergovernmental - State	6,624,499	6,690,128	6,786,183	96,055
Total revenue	<u>13,831,005</u>	<u>13,950,486</u>	<u>13,939,286</u>	<u>(11,200)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,066,156	9,128,665	9,051,470	77,195
Special.	707,785	712,665	706,638	6,027
Vocational.	308,519	310,646	308,019	2,627
Other	26,605	26,788	26,561	227
Support Services:				
Pupil.	1,178,703	1,186,830	1,176,794	10,036
Instructional staff	322,048	324,268	321,526	2,742
Board of education	22,622	22,778	22,585	193
Administration.	1,220,881	1,229,299	1,218,903	10,396
Fiscal	404,996	407,788	404,340	3,448
Business	1,641	1,652	1,638	14
Operations and maintenance.	1,486,058	1,496,304	1,483,651	12,653
Pupil transportation	818,287	823,929	816,961	6,968
Central.	2,787	2,806	2,782	24
Extracurricular activities.	323,417	325,647	322,893	2,754
Total expenditures	<u>15,890,503</u>	<u>16,000,065</u>	<u>15,864,761</u>	<u>135,304</u>
Excess of revenues over (under) expenditures.	<u>(2,059,498)</u>	<u>(2,049,579)</u>	<u>(1,925,475)</u>	<u>124,104</u>
Other financing sources (uses):				
Transfers (out)	(80,085)	(80,085)	(80,085)	-
Proceeds from sale of notes	1,000,000	1,000,000	1,000,000	-
Total other financing sources (uses)	<u>919,915</u>	<u>919,915</u>	<u>919,915</u>	<u>-</u>
Net change in fund balance	(1,139,583)	(1,129,664)	(1,005,560)	124,104
Fund balance at beginning of year	1,165,214	1,165,214	1,165,214	-
Prior year encumbrances appropriated	81,323	81,323	81,323	-
Fund balance at end of year	<u>\$ 106,954</u>	<u>\$ 116,873</u>	<u>\$ 240,977</u>	<u>\$ 124,104</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 14,428	\$ 68,818
Total assets	14,428	68,818
Liabilities:		
Accounts payable.	-	176
Due to students	-	68,642
Total liabilities	-	\$ 68,818
Net Assets:		
Held in trust for scholarships	14,428	
Total net assets	\$ 14,428	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 206
Total additions.	206
Reductions:	
Change in net assets	-
Net assets at beginning of year.	14,222
Net assets at end of year	\$ 14,428

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Poland Local School District (the "District") is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a District to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 25 square miles in Mahoning County, including all of the village of Poland and portions of surrounding townships.

The District is the 208th largest in the State of Ohio (among the 740 public and community school districts in the state) in terms of enrollment. It currently operates 4 elementary schools, 1 middle school, and 1 comprehensive high school. The District is staffed by 141 non-certificated and 147 certificated personnel to provide services to approximately 2,525 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool 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 organizations' 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 have access to the organizations 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS, a Council of Governments (the "COG"), 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 the COG based upon a per pupil charge, which was \$40 for fiscal year 2003. The District paid \$62,163 to the COG during fiscal year 2003. The COG 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 the COG including budgeting, appropriating, contracting and designating management. All of the COG revenues 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 105, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Bond Retirement Fund - A fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

Building Fund - A fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

The other governmental funds of the District account for (a) financial resources to be used for the acquisition, construction or improvement of capital facilities; (b) activity relating to the repayment of general long-term debt principal, interest and related costs; (c) for grants and other resources whose use is restricted to a particular purpose, and; (d) food service and uniform school supplies operations.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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, income taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Tax Budget:

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budget amounts reflect the amounts in the first Amended Certificate issued during the fiscal year. The amounts reported as the final budget amounts reflect the amounts in the final Amended Certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. 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" on the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

During fiscal year 2003, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

While common stock is not an allowable investment according to Ohio Statute, the District has received stock from the demutualization of the Anthem Insurance Company. No public funds were used to acquire the stock.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$47,350, which includes \$24,961 assigned from other District 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 Treasurer's investment account at fiscal year-end is provided in Note 4.

G. Inventory

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

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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 donated food and purchased food.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

H. Capital Assets

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

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 fiscal 2003, the District increased its capitalization threshold from \$500 to \$2,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, any employee at least 50 years old with at least 10 years of service, or any employee with at least 20 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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.

J. 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, compensated absences, and contractually required pension contributions 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.

K. Fund Balance Reserves

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

L. Net Assets

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

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

M. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for Bureau of Workers' Compensation (BWC) refunds. See Note 18 for details.

P. Interfund Activity

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

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 2003.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparison for the general fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by fund reclassifications and the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and a nonexpendable trust fund have been reclassified and are now included as a component of other nonmajor governmental funds and a private purpose trust fund. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	Bond <u>Retirement</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance					
June 30, 2002	\$ (934,879)	\$ 547,269	\$ 5,356,284	\$ (481,761)	\$ 4,486,913
Fund reclassifications	-	-	-	(37,577)	(37,577)
Implementation of GASB Interpretation No. 6	<u>(136,281)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(136,281)</u>
Adjusted fund balance, June 30, 2002	<u>\$ (1,071,160)</u>	<u>\$ 547,269</u>	<u>\$ 5,356,284</u>	<u>\$ (519,338)</u>	<u>\$ 4,313,055</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	Total
Adjusted fund balance, June 30, 2002	\$ 4,313,055
GASB 34 adjustments:	
Long-term (deferred) assets	685,764
Capital assets	4,618,880
Accrued interest payable	(172,398)
Long-term liabilities	(12,481,097)
Governmental activities net assets, June 30, 2002	\$ (3,035,796)

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	Deficit
<u>Major Fund</u>	
General	\$ 1,987,922
<u>Nonmajor Funds</u>	
Food Service	15,413
Management Information System	85
Title I	2,950
Drug Free School Grant	94
Permanent Improvement	479,367

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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 results from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-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 accounts, including passbook accounts.

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

Interim monies 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 or 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 2% 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

Cash on hand: At fiscal year-end, the District had \$75 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Investments".

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$4,355,039 and the bank balance was \$4,499,669.

1. \$100,000 was covered by federal depository insurance; and
2. \$4,399,669 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Reported Amount	Fair Value
Stock	\$ 127,965	\$ 127,965	\$ 127,965
Total	\$ 127,965	127,965	127,965
Investments not subject to categorization:			
Investment in STAR Ohio		694,257	694,257
Total investments		\$ 822,222	\$ 822,222

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 5,049,371	\$ 127,965
Investments of the cash management pool:		
Investment in STAR Ohio	(694,257)	694,257
Cash on hand	(75)	-
GASB Statement No. 3	\$ 4,355,039	\$ 822,222

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

	Amount
Transfers from general fund to:	
Nonmajor Governmental Funds	\$ 78,885

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 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 deterred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real property	\$ 306,700,050	92.10	\$ 310,858,110	92.37
Public utility personal property	10,485,400	3.15	10,702,140	3.18
Tangible personal property	<u>15,822,720</u>	<u>4.75</u>	<u>14,983,720</u>	<u>4.45</u>
Total assessed valuation	<u>\$ 333,008,170</u>	<u>100.00</u>	<u>\$ 336,543,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.70		\$ 45.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 9,282,150
Accounts	5,672
Intergovernmental	10,224
Accrued interest	<u>335</u>
Total	<u>\$ 9,298,381</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H.), due to the inclusion of food services capital assets as government activities and to depreciate capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u> <u>6/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/02</u>
Governmental Activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 310,131	\$ (5,351)	\$ 304,780
Construction-in-progress	<u>159,655</u>	<u>-</u>	<u>159,655</u>
Total capital assets, not being depreciated	<u>469,786</u>	<u>(5,351)</u>	<u>464,435</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	399,721	(6,896)	392,825
Buildings and improvements	8,145,065	(585,514)	7,559,551
Furniture and equipment	3,673,237	(2,553,759)	1,119,478
Vehicles	<u>1,801,574</u>	<u>(237,784)</u>	<u>1,563,790</u>
Total capital assets, being depreciated	<u>14,019,597</u>	<u>(3,383,953)</u>	<u>10,635,644</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(6,481,199)</u>	<u>(6,481,199)</u>
Governmental activities capital assets, net	<u>\$ 14,489,383</u>	<u>\$ (9,870,503)</u>	<u>\$ 4,618,880</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

Governmental Activities:	<u>Balance 06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/03</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 304,780	\$ -	\$ -	\$ 304,780
Construction-in-progress	<u>159,655</u>	<u>1,768,423</u>	<u>-</u>	<u>1,928,078</u>
Total capital assets, not being depreciated	<u>464,435</u>	<u>1,768,423</u>	<u>-</u>	<u>2,232,858</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	392,825	-	-	392,825
Building and improvements	7,559,551	-	-	7,559,551
Furniture and equipment	1,119,478	13,000	(2,013)	1,130,465
Vehicles	<u>1,563,790</u>	<u>-</u>	<u>-</u>	<u>1,563,790</u>
Total capital assets, being depreciated	<u>10,635,644</u>	<u>13,000</u>	<u>(2,013)</u>	<u>10,646,631</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(392,825)	-	-	(392,825)
Building and improvements	(4,410,607)	(143,082)	-	(4,553,689)
Furniture and equipment	(837,925)	(49,660)	1,409	(886,176)
Vehicles	<u>(839,842)</u>	<u>(111,970)</u>	<u>-</u>	<u>(951,812)</u>
Total accumulated depreciation	<u>(6,481,199)</u>	<u>(304,712)</u>	<u>1,409</u>	<u>(6,784,502)</u>
Governmental activities capital assets, net	<u>\$ 4,618,880</u>	<u>\$ 1,476,711</u>	<u>\$ (604)</u>	<u>\$ 6,094,987</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 135,995
Special	2,103
Vocational	4,850
<u>Support Services:</u>	
Pupil	1,911
Instructional Staff	8,805
Administration	8,110
Fiscal	875
Operations and Maintenance	2,586
Pupil Transportation	112,765
Extracurricular Activities	15,957
Food Service Operations	<u>10,755</u>
Total depreciation expense	<u>\$ 304,712</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - LEASE - PURCHASE AGREEMENT

On May 1, 2002, the District entered into a \$5,500,000 lease-purchase agreement with First Place Bank to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2003, the District made \$127,155 in principal payments and \$256,566 in interest payments on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the governmental activities of the District. General capital assets consisting of construction in progress have been capitalized in the governmental activities of the District in the amount of \$1,928,078. This amount represents the costs of the Project funded by the lease-purchase agreement that were incurred prior to June 30, 2003.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 383,721
2005	383,721
2006	383,721
2007	383,721
2008	383,721
2009 - 2013	1,918,605
2014 - 2018	1,918,605
2019 - 2023	1,918,605
2024 - 2027	1,534,884
Total	9,209,304
Less amount representing interest	(3,836,459)
Present value of minimum lease payments	\$ 5,372,845

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the Project is being constructed to the First Place Bank. The District is the lessor and First Place Bank is the lessee under the ground-lease agreement. The ground-lease commenced on May 17, 2002 and terminates on May 1, 2032 or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a capitalized lease for the acquisition of computer equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. These expenditures are reported as function expenditures on the budgetary statement for the general fund.

Capital assets consisting of computer equipment have been capitalized in the amount of \$189,440. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2003 totaled \$6,420 paid by the general fund. This payment fulfilled the District's obligation relating to this capital lease. No liability exists as of June 30, 2003.

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The restatements are presented in the adjustment column of the table below. The general obligation bonds issued in 1995 and 1997 have been restated in order to properly state the balances of the current interest bonds and to record the balances of the capital appreciation bonds. The compensated absences liability has been restated due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. Pension benefit obligations are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end and are reported separately on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

	<u>Balance</u> <u>06/30/02</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>06/30/03</u>
Governmental Activities:			
<u>General Obligation Bonds:</u>			
1995 issue current interest bonds	\$ 2,235,769	\$ (180,769)	\$ 2,055,000
1995 issue capital appreciation bonds	-	348,850	348,850
1997 issue current interest bonds	3,219,998	(34,998)	3,185,000
1997 issue capital appreciation bonds	<u>-</u>	<u>85,027</u>	<u>85,027</u>
Total general obligation bonds payable	<u>5,455,767</u>	<u>218,110</u>	<u>5,673,877</u>
<u>Notes Payable:</u>			
General obligation energy conservation notes	68,885	-	68,885
Energy conservation notes	599,834	-	599,834
Permanent improvement note	<u>92,000</u>	<u>-</u>	<u>92,000</u>
Total notes payable	<u>760,719</u>	<u>-</u>	<u>760,719</u>
<u>Other Long-Term Obligations:</u>			
Lease purchase agreement	5,500,000	-	5,500,000
Capital lease obligation	6,420	-	6,420
Compensated absences	1,232,775	34,042	1,266,817
Pension benefit obligation	<u>78,882</u>	<u>(78,882)</u>	<u>-</u>
Total other long-term obligations	<u>6,818,077</u>	<u>(44,840)</u>	<u>6,773,237</u>
Total governmental activities	<u>\$ 13,034,563</u>	<u>\$ 173,270</u>	<u>\$ 13,207,833</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. The District's long-term obligations during the year consist of the following:

	Restated Balance <u>06/30/02</u>	<u>Increases</u>	<u>Decreases</u>	Balance 06/30/03	Amounts Due in <u>One Year</u>
Governmental Activities:					
<u>General Obligation Bonds:</u>					
1995 issue current interest bonds	\$ 2,055,000	\$ -	\$ -	\$ 2,055,000	\$ -
1995 issue capital appreciation bonds	348,850	30,474	(105,000)	274,324	105,000
1997 issue current interest bonds	3,185,000	-	(90,000)	3,095,000	95,000
1997 issue capital appreciation bonds	<u>85,027</u>	<u>18,325</u>	<u>-</u>	<u>103,352</u>	<u>-</u>
Total general obligation bonds payable	<u>5,673,877</u>	<u>48,799</u>	<u>(195,000)</u>	<u>5,527,676</u>	<u>200,000</u>
<u>Notes Payable:</u>					
General obligation energy conservation notes	68,885	-	(35,122)	33,763	33,763
Energy conservation notes	599,834	-	(109,062)	490,772	109,060
Permanent improvement notes	92,000	-	(92,000)	-	-
Tax anticipation note	<u>-</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>	<u>-</u>
Total notes payable	<u>760,719</u>	<u>1,000,000</u>	<u>(1,236,184)</u>	<u>524,535</u>	<u>142,823</u>
<u>Other Long-Term Obligations:</u>					
Lease purchase agreement	5,500,000	-	(127,155)	5,372,845	120,633
Capital lease obligation	6,420	-	(6,420)	-	-
Compensated absences	<u>1,266,817</u>	<u>-</u>	<u>(128,383)</u>	<u>1,138,434</u>	<u>206,566</u>
Total other long-term obligations	<u>6,773,237</u>	<u>-</u>	<u>(261,958)</u>	<u>6,511,279</u>	<u>327,199</u>
Total governmental activities	<u>\$ 13,207,833</u>	<u>\$ 1,048,799</u>	<u>\$ (1,693,142)</u>	<u>\$ 12,563,490</u>	<u>\$ 670,022</u>

General Obligation Bonds: The District issued general obligation bonds in 1995 to provide funds for the acquisition and construction of facilities and equipment. The general obligation bonds were issued on September 13, 1995, mature on December 1, 2016, and have a variable interest rate of 4.10% - 5.85%.

General Obligation Bonds: The District issued general obligation bonds in 1997 to provide funds for the acquisition and construction of facilities and equipment. The general obligation bonds were issued on November 12, 1997, mature on December 1, 2022, and have a variable interest rate of 4.00% - 5.30%.

General Obligation Energy Conservation Notes: The District issued general obligation energy conservation notes in 1996 to provide for energy improvements to District buildings. The general obligation energy conservation notes were issued on April 22, 1996, mature on April 1, 2004, and have an interest rate of 5.30%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Energy Conservation Notes: The District issued energy conservation notes in 1998 to provide for energy improvements to District buildings. The energy conservation notes were issued on September 25, 1997, mature on October 1, 2007, and have an interest rate of 4.70%.

Permanent Improvement Notes: The District issued permanent improvement notes in 1998 to provide funds for the acquisition and construction of facilities and equipment. The permanent improvement notes were issued on December 18, 1997, matured on December 1, 2002, and had an interest rate of 5.29%.

Tax Anticipation Note: The District issued a tax anticipation note in 2003 for future tax revenues to be received by the District. The tax anticipation note was issued on February 11, 2003, matured on May 11, 2003, and had an interest rate of 1.50%.

Lease Purchase Agreement: The District entered into a lease purchase agreement in 2002 to finance the construction, enlarging or other improvement, furnishing and equipping, lease and eventual acquisition, of various building improvements on District sites. The lease purchase agreement was entered into on May 1, 2002 and commences on May 1, 2027.

Capital Lease Obligation: The District entered into a capital lease obligation in 1999 for the acquisition of computer equipment. The capital lease obligation was entered into on November 9, 1998 and commenced on November 9, 2003.

- C. Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2003, are as follows:

Year Ended	General Obligation Bonds-Series 1995					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ -	\$ 177,904	\$ 177,904	\$ 105,000	\$ -	\$ 105,000
2005	-	180,579	180,579	105,000	-	105,000
2006	-	183,179	183,179	105,000	-	105,000
2007	110,000	119,355	229,355	-	-	-
2008	145,000	113,085	258,085	-	-	-
2009 - 2013	880,000	429,248	1,309,248	-	-	-
2014 - 2018	920,000	138,353	1,058,353	-	-	-
Total	<u>\$2,055,000</u>	<u>\$ 1,341,703</u>	<u>\$ 3,396,703</u>	<u>\$ 315,000</u>	<u>\$ -</u>	<u>\$ 315,000</u>

**POLAND LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	General Obligation Bonds-Series 1997					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 95,000	\$ 157,274	\$ 252,274	\$ -	\$ -	\$ -
2005	105,000	152,871	257,871	-	-	-
2006	110,000	148,033	258,033	-	-	-
2007	120,000	142,740	262,740	-	-	-
2008	125,000	136,981	261,981	-	-	-
2009 - 2013	290,000	636,492	926,492	440,000	-	440,000
2014 - 2018	945,000	477,664	1,422,664	-	-	-
2019 - 2023	1,305,000	181,394	1,486,394	-	-	-
Total	<u>\$3,095,000</u>	<u>\$ 2,033,449</u>	<u>\$ 5,128,449</u>	<u>\$ 440,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>

Year Ended	General Obligation Notes-Energy Conservation			Energy Conservation Notes		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 33,763	\$ 1,303	\$ 35,066	\$ 109,060	\$ 21,894	\$ 130,954
2005	-	-	-	109,060	15,881	124,941
2006	-	-	-	109,060	10,082	119,142
2007	-	-	-	109,060	2,877	111,937
2008	-	-	-	54,532	1,446	55,978
Total	<u>\$ 33,763</u>	<u>\$ 1,303</u>	<u>\$ 35,066</u>	<u>\$ 490,772</u>	<u>\$ 52,180</u>	<u>\$ 542,952</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 0.1% of the property valuation of the District and that energy conservation indebtedness shall not exceed 0.9% of the total assessed valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted legal debt margin of \$25,032,107 (including available funds of \$666,408), an unvoted legal debt margin of \$336,544, and an energy conservation legal debt margin of \$2,538,124.

**POLAND LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment and instruments. Real property, building and contents are fully insured.

The business auto coverage limits are \$1,000,000 for liability and bodily injury for each person and each accident. The property damage liability limit is \$1,000,000. The uninsured bodily injury and under insured motorists has a liability limit of \$1,000,000 each person and each accident. Comprehensive has a \$100 deductible and collision has a \$500 deductible.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

The District has a liability limit of \$500,000 for boiler insurance with a deductible of \$1,000.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

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 13 member school districts. The plan was organized to provide medical, prescription, dental, vision, and life benefits to its member organizations. Professional Risk Management acts in the capacity of third party administrators for claims processing.

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 or payments are made for all participating districts and claims are paid for all participants regardless of claims flow. The District is responsible for paying, per year, health plan claims up to \$135,000 per individual and \$14,600,000 per school-wide aggregate, prior to coverage by a stop/loss carrier.

The District pays the insurance premiums for all full-time employees and for the part-time employees, the premiums paid by the District, are based upon the percentage worked.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT - (Continued)

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 worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$263,542, \$249,259, and \$239,597, respectively; 46.37% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$141,348, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,163,129, \$1,132,206, and \$1,081,382, respectively; 84.07% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$185,240, represents the unpaid contribution for fiscal year 2003. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,954 made by the District and \$3,818 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$83,081 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$141,455 during the 2003 fiscal year.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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	\$ (1,005,560)
Net adjustment for revenue accruals	124,232
Net adjustment for expenditure accruals	(87,330)
Net adjustment for other sources/uses	1,200
Adjustment for encumbrances	<u>42,017</u>
GAAP basis	<u>\$ (925,441)</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not currently a party to any legal proceedings.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - CONTINGENCIES - (Continued)

C. State School Funding Decision

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

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Reserved for BWC Refunds</u>	<u>Designated for Budget Stabilization</u>
Set-aside cash balance as of June 30, 2002	\$ (570,882)	\$ (5,500,000)	\$ 77,235	\$ 274,163
Current year set-aside requirement	344,905	344,905	-	-
Qualifying disbursements	<u>(378,758)</u>	<u>(260,084)</u>	<u>-</u>	<u>(126,398)</u>
Total	<u>\$ (604,735)</u>	<u>\$ (5,415,179)</u>	<u>\$ 77,235</u>	<u>\$ 147,765</u>
Balance carried forward to FY 2004	<u>\$ (604,735)</u>	<u>\$ (5,415,179)</u>	<u>\$ 77,235</u>	<u>\$ 147,765</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restrict asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the instructional materials reserve and the capital acquisition reserve. The Board of Education resolved to maintain the budget reserve, which will be shown as designated fund balance in the general fund.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years, but GAAP prohibits showing negative reserves on the balance sheet. Therefore, negative amounts are not presented on the balance sheet.

A schedule of the governmental fund restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$ 77,235</u>
Total restricted assets	<u>\$ 77,235</u>

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POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$29,689		\$21,476
National School Lunch Program	048298-LLP4-2003	10.555	\$58,592		\$58,592	
Total U.S. Department of Agriculture - Nutrition Cluster			58,592	29,689	58,592	21,476
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)		84.027			22,461	
	6B-SF-2002-P	84.027			228,692	
	6B-SF-2003-P	84.027	259,225			
Total Special Education Cluster			259,225		251,153	
Grants to Local Educational Agencies (ESEA Title I)		84.010			10,389	
	C1-S1-2002	84.010			60,623	
	C1-S1-2003	84.010	66,284			
Total Grants to Local Educational Agencies			66,284		71,012	
Innovative Educational Program Strategies	C2-S1-2003	84.298	14,478		11,836	
Title II-D Technology Literacy Challenge Fund Grant	TJ-S1-2003	84.318	1,963		1,591	
Eisenhower Grant	MS-S1-2002	84.281			1,194	
Drug-Free Schools Grant		84.186			2,011	
	DR-S1-2002	84.186			7,326	
	DR-S1-2003	84.186	9,051			
Total Drug Free Schools Grant			9,051		9,337	
Title VI-R	CR-S1-2002	84.340	3,232		10,997	
Title II-A Improving Teacher Quality	TR-S1-2003	84.367	54,197		41,980	
School Renovation Idea & Tech	AT-S3-2002	84.352	4,914		4,897	
TOTAL DEPARTMENT OF EDUCATION			413,344		403,997	
TOTAL			\$471,936	\$29,689	\$462,589	\$21,476

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

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Poland Local School District
Mahoning County
30 Riverside Drive
Poland, Ohio 44514

To the Board of Education:

We have audited the financial statements of the Poland Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated May 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Poland Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Poland Local School District
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 12, 2004



Auditor of State Betty Montgomery

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

Poland Local School District
Mahoning County
30 Riverside Drive
Poland, Ohio 44514

To the Board of Education:

Compliance

We have audited the compliance of Poland Local School District, Mahoning County, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Poland Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Poland Local School District's management. Our responsibility is to express an opinion on Poland Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs. An audit includes examining, on a test basis, evidence about Poland Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Poland Local School District's compliance with those requirements.

In our opinion, Poland Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Poland Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Poland Local School District's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

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

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

Betty Montgomery
Auditor of State

May 12, 2004

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

**POLAND LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs:	Title VI-B/84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	
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None

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	
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None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

POLAND 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
JULY 20, 2004**