



**Auditor of State
Betty Montgomery**

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Lordstown Local School District
Trumbull County
1824 Salt Springs Road
Warren, Ohio 44481

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Lordstown Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lordstown Local School District, Trumbull County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 24, 2003

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LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 316,159	\$ 84,252	\$ 145,406	\$ 9,242
Receivables (net of allowances of uncollectibles):				
Property taxes-current and delinquent	4,796,673	-	725,506	-
Accounts	1,933	2,201	-	-
Interfund loan receivable	10,804	-	-	-
Due from other governments	-	2,640	-	-
Due from other funds	-	-	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	27,749	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	183,264	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 5,336,582	\$ 89,093	\$ 870,912	\$ 9,242
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 21,205	\$ 459	\$ -	\$ -
Accrued wages and benefits.	590,789	8,534	-	-
Compensated absences payable.	29,171	-	-	-
Pension obligation payable	-	-	-	-
Interfund loan payable	-	10,804	-	-
Deferred revenue	4,781,522	-	723,214	-
Due to other governments.	3,653	86	-	-
Due to students	-	-	-	-
Due to other funds	69,346	2,359	-	-
General obligation notes payable.	500,000	-	-	-
Capital lease obligation payable	-	-	-	-
Energy conservation notes payable.	-	-	-	-
Total liabilities	5,995,686	22,242	723,214	-
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	21,294	11,503	-	-
Reserved for prepayments	27,749	-	-	-
Reserved for tax revenue unavailable for appropriation.	15,151	-	2,292	-
Reserved for debt service	-	-	145,406	-
Reserved for instructional materials	183,264	-	-	-
Unreserved-undesignated	(906,562)	55,348	-	9,242
Total equity and other credits	(659,104)	66,851	147,698	9,242
Total liabilities, equity and other credits	\$ 5,336,582	\$ 89,093	\$ 870,912	\$ 9,242

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 14,240	\$ 35,468	\$ -	\$ -	\$ 604,767
-	-	-	-	5,522,179
147	-	-	-	4,281
-	-	-	-	10,804
6,740	-	-	-	9,380
-	76,601	-	-	76,601
1,034	-	-	-	1,034
10,405	-	-	-	38,154
-	-	-	-	183,264
2,914,451	-	12,112,203	-	15,026,654
-	-	-	147,698	147,698
-	-	-	1,809,436	1,809,436
<u>\$ 2,947,017</u>	<u>\$ 112,069</u>	<u>\$ 12,112,203</u>	<u>\$ 1,957,134</u>	<u>\$ 23,434,252</u>
\$ 756	\$ -	\$ -	\$ -	\$ 22,420
11,583	-	-	-	610,906
70,371	-	-	299,964	399,506
3,332	72,016	-	36,689	112,037
-	-	-	-	10,804
-	-	-	-	5,504,736
41	4,585	-	-	8,365
-	29,718	-	-	29,718
4,896	-	-	-	76,601
-	-	-	-	500,000
-	-	-	132,500	132,500
-	-	-	1,487,981	1,487,981
<u>90,979</u>	<u>106,319</u>	<u>-</u>	<u>1,957,134</u>	<u>8,895,574</u>
-	-	12,112,203	-	12,112,203
2,760,737	-	-	-	2,760,737
95,301	-	-	-	95,301
-	-	-	-	32,797
-	-	-	-	27,749
-	-	-	-	17,443
-	-	-	-	145,406
-	-	-	-	183,264
-	5,750	-	-	(836,222)
<u>2,856,038</u>	<u>5,750</u>	<u>12,112,203</u>	<u>-</u>	<u>14,538,678</u>
<u>\$ 2,947,017</u>	<u>\$ 112,069</u>	<u>\$ 12,112,203</u>	<u>\$ 1,957,134</u>	<u>\$ 23,434,252</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 4,558,356	\$ -	\$ 193,370	\$ -	\$ -	\$ 4,751,726
Tuition	6,262	-	-	-	-	6,262
Earnings on investments	12,398	-	-	-	-	12,398
Extracurricular	-	14,553	-	-	-	14,553
Other local revenues	229,910	27,715	-	-	3,564	261,189
Intergovernmental - State	384,842	16,478	-	8,943	-	410,263
Intergovernmental - Federal	-	143,641	-	-	-	143,641
Total revenue	5,191,768	202,387	193,370	8,943	3,564	5,600,032
Expenditures:						
Current:						
Instruction:						
Regular	2,551,882	25,598	-	5,199	-	2,582,679
Special	452,773	88,529	-	-	-	541,302
Vocational	68,414	-	-	-	-	68,414
Other	74,362	-	-	-	-	74,362
Support services:						
Pupil	146,771	2,235	-	-	-	149,006
Instructional staff	85,159	256	-	-	-	85,415
Board of Education	108,421	-	-	-	-	108,421
Administration	335,938	3,449	-	-	-	339,387
Fiscal	354,771	2,090	-	-	-	356,861
Business	13,318	-	-	-	-	13,318
Operations and maintenance	824,573	753	-	-	-	825,326
Pupil transportation	265,331	-	-	-	-	265,331
Community services	-	3,478	-	-	-	3,478
Extracurricular activities	144,345	35,980	-	-	-	180,325
Facilities acquisition and construction	1,000	-	-	-	-	1,000
Capital outlay	150,000	-	-	-	-	150,000
Intergovernmental pass-through	-	2,640	-	-	-	2,640
Debt service:						
Principal retirement	17,500	-	112,363	-	-	129,863
Interest and fiscal charges	-	-	83,415	-	-	83,415
Total expenditures	5,594,558	165,008	195,778	5,199	-	5,960,543
Excess (deficiency) of revenues over (under) expenditures	(402,790)	37,379	(2,408)	3,744	3,564	(360,511)
Other financing sources (uses):						
Proceeds of capital lease transaction	150,000	-	-	-	-	150,000
Operating transfers out	(20,497)	-	-	-	-	(20,497)
Total other financing sources (uses)	129,503	-	-	-	-	129,503
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(273,287)	37,379	(2,408)	3,744	3,564	(231,008)
Fund balances (deficit), July 1	(385,817)	29,472	150,106	5,498	2,186	(198,555)
Fund balances (deficit), June 30	\$ (659,104)	\$ 66,851	\$ 147,698	\$ 9,242	\$ 5,750	\$ (429,563)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 4,870,747	\$ 4,555,250	\$ (315,497)	\$ -	\$ -	\$ -
Tuition	5,267	6,262	995	-	-	-
Earnings on investments	10,429	12,398	1,969	-	-	-
Extracurricular	-	-	-	14,553	14,553	-
Other local revenues	170,067	202,177	32,110	25,884	26,004	120
Intergovernmental - State	323,721	384,842	61,121	17,228	16,478	(750)
Intergovernmental - Federal	-	-	-	135,480	135,851	371
Total revenues	<u>5,380,231</u>	<u>5,160,929</u>	<u>(219,302)</u>	<u>193,145</u>	<u>192,886</u>	<u>(259)</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,750,757	2,525,177	225,580	52,896	36,879	16,017
Special	484,216	444,507	39,709	96,769	88,117	8,652
Vocational	69,447	63,752	5,695	-	-	-
Other	81,005	74,362	6,643	-	-	-
Support services:						
Pupil	157,256	144,360	12,896	8,367	2,235	6,132
Instructional staff	92,810	85,199	7,611	918	256	662
Board of Education	103,031	94,582	8,449	-	-	-
Administration	379,080	347,993	31,087	11,677	3,449	8,228
Fiscal	340,401	312,486	27,915	6,266	2,090	4,176
Business	26,664	24,477	2,187	-	-	-
Operations and maintenance	941,554	864,341	77,213	1,350	753	597
Pupil transportation	289,468	265,730	23,738	-	-	-
Community services	-	-	-	3,478	3,478	-
Extracurricular activities	157,931	144,980	12,951	68,805	41,195	27,610
Facilities acquisition and construction	1,089	1,000	89	-	-	-
Intergovernmental pass-through	-	-	-	3,676	2,640	1,036
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>5,874,709</u>	<u>5,392,946</u>	<u>481,763</u>	<u>254,202</u>	<u>181,092</u>	<u>73,110</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(494,478)</u>	<u>(232,017)</u>	<u>262,461</u>	<u>(61,057)</u>	<u>11,794</u>	<u>72,851</u>
Other financing sources (uses):						
Proceeds of notes	420,588	500,000	79,412	-	-	-
Advances in	66,344	78,871	12,527	8,583	8,583	-
Advances out	(9,350)	(8,583)	767	-	(13,871)	(13,871)
Operating transfers in	648,722	771,207	122,485	-	-	-
Operating transfers out	(882,468)	(810,100)	72,368	-	-	-
Refund of prior year expenditure	26,352	31,327	4,975	59	60	1
Total other financing sources (uses)	<u>270,188</u>	<u>562,722</u>	<u>292,534</u>	<u>8,642</u>	<u>(5,228)</u>	<u>(13,870)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(224,290)</u>	<u>330,705</u>	<u>554,995</u>	<u>(52,415)</u>	<u>6,566</u>	<u>58,981</u>
Fund balances, July 1	86,091	86,091	-	65,284	65,284	-
Prior year encumbrances appropriated	59,329	59,329	-	999	999	-
Fund balances, June 30	<u>\$ (78,870)</u>	<u>\$ 476,125</u>	<u>\$ 554,995</u>	<u>\$ 13,868</u>	<u>\$ 72,849</u>	<u>\$ 58,981</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 191,558	\$ 191,558	\$ -	\$ -	\$ -	\$ -	\$ 5,062,305	\$ 4,746,808	\$ (315,497)
-	-	-	-	-	-	5,267	6,262	995
-	-	-	-	-	-	10,429	12,398	1,969
-	-	-	-	-	-	14,553	14,553	-
-	-	-	-	-	-	195,951	228,181	32,230
-	-	-	8,943	8,943	-	349,892	410,263	60,371
-	-	-	-	-	-	135,480	135,851	371
<u>191,558</u>	<u>191,558</u>	<u>-</u>	<u>8,943</u>	<u>8,943</u>	<u>-</u>	<u>5,773,877</u>	<u>5,554,316</u>	<u>(219,561)</u>
-	-	-	14,441	5,199	9,242	2,818,094	2,567,255	250,839
-	-	-	-	-	-	580,985	532,624	48,361
-	-	-	-	-	-	69,447	63,752	5,695
-	-	-	-	-	-	81,005	74,362	6,643
-	-	-	-	-	-	165,623	146,595	19,028
-	-	-	-	-	-	93,728	85,455	8,273
-	-	-	-	-	-	103,031	94,582	8,449
-	-	-	-	-	-	390,757	351,442	39,315
-	-	-	-	-	-	346,667	314,576	32,091
-	-	-	-	-	-	26,664	24,477	2,187
-	-	-	-	-	-	942,904	865,094	77,810
-	-	-	-	-	-	289,468	265,730	23,738
-	-	-	-	-	-	3,478	3,478	-
-	-	-	-	-	-	226,736	186,175	40,561
-	-	-	-	-	-	1,089	1,000	89
-	-	-	-	-	-	3,676	2,640	1,036
195,816	112,363	83,453	-	-	-	195,816	112,363	83,453
145,368	83,415	61,953	-	-	-	145,368	83,415	61,953
<u>341,184</u>	<u>195,778</u>	<u>145,406</u>	<u>14,441</u>	<u>5,199</u>	<u>9,242</u>	<u>6,484,536</u>	<u>5,775,015</u>	<u>709,521</u>
<u>(149,626)</u>	<u>(4,220)</u>	<u>145,406</u>	<u>(5,498)</u>	<u>3,744</u>	<u>9,242</u>	<u>(710,659)</u>	<u>(220,699)</u>	<u>489,960</u>
-	-	-	-	-	-	420,588	500,000	79,412
-	-	-	-	-	-	74,927	87,454	12,527
-	-	-	-	-	-	(9,350)	(22,454)	(13,104)
-	-	-	-	-	-	648,722	771,207	122,485
-	-	-	-	-	-	(882,468)	(810,100)	72,368
-	-	-	-	-	-	26,411	31,387	4,976
-	-	-	-	-	-	<u>278,830</u>	<u>557,494</u>	<u>278,664</u>
(149,626)	(4,220)	145,406	(5,498)	3,744	9,242	(431,829)	336,795	768,624
149,626	149,626	-	5,498	5,498	-	306,499	306,499	-
-	-	-	-	-	-	60,328	60,328	-
<u>\$ -</u>	<u>\$ 145,406</u>	<u>\$ 145,406</u>	<u>\$ -</u>	<u>\$ 9,242</u>	<u>\$ 9,242</u>	<u>\$ (65,002)</u>	<u>\$ 703,622</u>	<u>\$ 768,624</u>

LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 279,954
Sales and charges for services	109,986
Other	147,414
Total operating revenues	537,354
Operating expenses:	
Personal services	56,575
Contract services	157,360
Materials and supplies	97,310
Depreciation	150,480
Other	918
Total operating expenses	462,643
Operating income	74,711
Nonoperating revenues:	
Operating grants	247,788
Federal commodities	1,295
Total nonoperating revenues	249,083
Net income before operating transfers	323,794
Operating transfers in.	20,497
Net income	344,291
Depreciation on fixed assets acquired by contributed capital	126,675
Accumulated deficit, July 1.	(375,665)
Retained earnings, June 30	95,301
Contributed capital at beginning of year.	2,887,412
Depreciation on fixed assets acquired by contributed capital.	(126,675)
Contributed capital at end of year	2,760,737
Fund equity, June 30	\$ 2,856,038

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Proprietary Fund Type
		Enterprise
Cash flows from operating activities:		
Cash received from tuition and fees	\$	286,293
Cash received from sales and service charges		109,857
Cash received for other revenues		147,414
Cash payments for personal services		(470,107)
Cash payments for contract services		(185,433)
Cash payments for materials and supplies		(95,467)
Cash payments for other expenses		(2,203)
		(209,646)
Net cash used in operating activities		(209,646)
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies		241,048
Operating transfers in from other funds		20,497
Cash payments for interfund loans		(65,000)
Cash received from nonoperating activities		450
		196,995
Net cash provided by noncapital financing activities		196,995
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(3,781)
		(3,781)
Net cash used in capital and related financing activities		(3,781)
Net decrease in cash and cash equivalents		(16,432)
Cash and cash equivalents at beginning of year		30,672
Cash and cash equivalents at end of year	\$	14,240
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$	74,711
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		150,480
Federal donated commodities		1,295
Changes in assets and liabilities:		
Increase in accounts receivable		(123)
Decrease in materials and supplies inventory		1,527
Increase in prepayments		(6,020)
Decrease in due from other governments		6,333
Decrease in accounts payable		(25,337)
Decrease in accrued wages and benefits		(280,111)
Decrease in compensated absences payable		(94,343)
Decrease in due to other governments		(1,978)
Increase in pension obligation payable		1,161
Decrease in due to other funds		(37,241)
		(209,646)
Net cash used in operating activities	\$	(209,646)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lordstown Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for the provision of public education to residents of the District.

The District provides regular, vocational and special instruction. The District also provides support services for pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District's vocational program serves the following schools on a tuition basis: Howland Local School District, McDonald Local School District, Niles City School District and Weathersfield Local School District.

The District is the 607th largest in the State of Ohio among the 740 public and community school districts in terms of enrollment. It currently operates 1 elementary school and 1 comprehensive middle/high school. The District is staffed by 24 non-certified and 45 certificated personnel to provide services to approximately 549 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. 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 districts supports NEOMIN based upon a per pupil charge.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board which consists of ten voting members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and one treasurer from each of the aforementioned counties (non-voting members who must be employed by a participating school district, the fiscal agent, or NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A copy of NEOMIN's financial statements may be obtained from the Trumbull County Education Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as deferred commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 is as follows:

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

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund type level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund type level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education in fiscal year 2003. The budget figures which appear in the statements of budgetary comparisons represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 14 provides disclosure of the encumbrances outstanding for the enterprise funds at fiscal year-end.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During the fiscal year, the District's investments were limited to a repurchase agreement. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$12,398, which includes \$5,871 assigned from other District funds.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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

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

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Land/improvements	20
Buildings/improvements	50
Furniture, fixtures and equipment	8 - 20

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

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

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, tax revenue unavailable for appropriation, debt service, and instructional materials. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2003.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.
5. The District repays amounts “due to” and “due from” other funds for pension obligations and Worker’s Compensation payments. The liabilities are paid from the District agency fund when due.

An analysis of interfund transactions is presented in Note 5.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Fund balance reserves have also been established. See Note 19 for details.

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to contributed capital at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in 2003. Contributed capital in the enterprise funds at June 30, 2003, is \$2,760,737.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

N. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year-end, since prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

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

	<u>Deficit Balance</u>
General Fund	\$659,104
<u>Special Revenue Fund</u>	
Title I	2,865

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the general fund and Title I special revenue fund are caused by the application of GAAP namely in the reporting of a liability for accrued wages, benefits and pension obligations attributable to the fiscal year. These deficit balances will be eliminated by intergovernmental revenues or other subsidies not recognized and recorded at June 30.

B. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$3,241

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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:

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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

Inactive deposits are public deposits 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 financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested or deposited 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;

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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.

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

Deposits: At year-end, the carrying amount of the District's deposits was \$55,888 and the bank balance was \$75,000. The entire bank balance was covered by federal depository insurance.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at 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.

	Category <u>3</u>	Reported <u>Amount</u>	Fair <u>Value</u>
Repurchase agreement	<u>\$732,143</u>	<u>\$732,143</u>	<u>\$732,143</u>

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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TRUMBULL COUNTY, OHIO**

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

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

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 788,031	\$ -
Investments of the cash management pool:		
Repurchase agreement	<u>(732,143)</u>	<u>732,143</u>
GASB Statement No. 3	<u>\$ 55,888</u>	<u>\$732,143</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers during fiscal year 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$20,497
<u>Enterprise Funds</u>		
Food Service	12,999	-
Uniform Supply	<u>7,498</u>	<u>-</u>
Total	<u>\$20,497</u>	<u>\$20,497</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2003, consist of the following individual interfund loans receivable and payable.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$10,804	\$ -
<u>Special Revenue Funds</u>		
Title VI	-	2,221
Miscellaneous Federal Grants	<u>-</u>	<u>8,583</u>
Total	<u>\$10,804</u>	<u>\$10,804</u>

- C.** The following is a summarized breakdown of amounts “due to” and “due from” other funds for pension obligations and worker’s compensation payments:

	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>
General Fund	\$69,346	\$ -
<u>Special Revenue Funds</u>		
Management Information Systems	840	-
Title VI-B	1,051	-
Title I	468	-
<u>Enterprise Funds</u>		
Food Service	2,677	-
Compact	2,219	-
<u>Agency Fund</u>		
District Agency	<u>-</u>	<u>76,601</u>
Totals	<u>\$76,601</u>	<u>\$76,601</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE 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. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$124,655,070. Agricultural/residential and public utility/minerals real estate represented 32.37% or \$40,339,960 of this total, commercial & industrial real estate represented 26.54% or \$33,086,540 of this total, public utility tangible represented 9.85% or \$12,281,240 of this total and general tangible property represented 31.24% or \$38,947,330 of this total. The voted general tax rate at the fiscal year-ended June 30, 2003 was \$38.10 per \$1,000.00 of assessed valuation for operations.

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.

The Trumbull County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$17,443 was available to the District as an advance and is recorded as revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 7 - INCOME TAX

In November of 2000, the voters of the District passed a ballot issue, whereby, the District is entitled to receive 30% of the Village of Lordstown's income tax for the period January 1, 2001 through December 30, 2002. Total income tax revenue recognized by the District during fiscal year 2003 was \$14,817.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 8 - RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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 fiscal year guarantee of federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$4,796,673
Interfund loans	10,804
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	725,506

NOTE 9 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June30, 2003</u>
Land/improvements	\$ 866,627	\$ -	\$ -	\$ 866,627
Buildings/improvements	8,501,979	-	-	8,501,979
Furniture/equipment	1,881,775	175,017	-	2,056,792
Vehicles	686,805	-	-	686,805
 Total	 <u>\$11,937,186</u>	 <u>\$175,017</u>	 <u>\$ -</u>	 <u>\$12,112,203</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 9 - FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2003 follows:

Land/improvements	\$ 141,744
Buildings/improvements	5,273,448
Furniture and equipment	1,207,841
Less: accumulated depreciation	<u>(3,708,582)</u>
Net fixed assets	<u>\$ 2,914,451</u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A. During fiscal year 2003, the District entered into a capital lease for the acquisition of copiers. This lease meets 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 the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the lease was accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and are reflected as debt service expenditures on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The general fixed assets acquired by this capital lease have been capitalized in the general fixed assets account group in the amount of \$150,000, which is equal to the present value of the future minimum lease payments as of the date of inception. A corresponding liability has been recorded in the general long-term obligations account group. Principal payments in fiscal 2003 totaled \$17,500 in the General Fund. This amount is reflected as debt service principal retirement in the General Fund.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003.

General Long-Term Obligations	
Year Ending June 30	Total
2004	\$ 30,000
2005	30,000
2006	30,000
2007	30,000
2008	<u>12,500</u>
Total future minimum lease payments	132,500
Less: amount representing interest	<u>-</u>
Present value of future minimum lease payments	<u><u>\$132,500</u></u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The current obligation notes outstanding, issued to provide funds for energy improvements to District buildings, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability will be recorded as expenditures in the debt service fund.

The following is a description of the District's notes outstanding as of June 30, 2003:

Purpose	Interest Rates	Maturity Date	Outstanding July 1, 2002	Issued in 2003	Retired in 2003	Outstanding June 30, 2003
HB 264 energy notes	3.95%-5.99%	Various	<u>\$1,600,344</u>	<u>\$ -</u>	<u>\$(112,363)</u>	<u>\$1,487,981</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2004	\$ 114,688	\$ 76,870	\$ 191,558
2005	116,065	71,687	187,752
2006	117,525	66,303	183,828
2007	119,071	60,721	179,792
2008	120,711	54,909	175,620
2009 - 2013	631,799	179,031	810,830
2014- 2015	<u>268,122</u>	<u>22,780</u>	<u>290,902</u>
Total	<u>\$1,487,981</u>	<u>\$532,301</u>	<u>\$2,020,282</u>

C. During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, pension obligations, and the early retirement incentive will be paid from the fund in which the employee was paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$ 361,599	\$ -	\$ (61,635)	\$ 299,964
Pension obligation payable	37,657	36,689	(37,657)	36,689
Energy conservation notes payable	1,600,344	-	(112,363)	1,487,981
Capital lease obligation	-	150,000	(17,500)	132,500
Early retirement incentive	<u>85,970</u>	<u>6,663</u>	<u>(92,633)</u>	<u>-</u>
Total	<u>\$2,085,570</u>	<u>\$193,352</u>	<u>\$(321,788)</u>	<u>\$1,957,134</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. 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 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$11,366,654 (including available funds of \$147,698) and an unvoted debt margin of \$124,655.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Certified employees do not earn vacation time. Classified employees who are in service for not less than twelve months each year after service of a least one contract year, are entitled to earn vacation according to the following schedule:

<u>Years of Service</u>	<u>Days of Vacation</u>
1 to 9	10
10 to 14	15
15 and up	20

Upon retirement, full-time employees are entitled to the following severance payments:

Certified employees with five years of service receive a payment of thirty percent of their unused sick leave up to a maximum of thirty days. Certified employees with years of service between ten and nineteen years, receive an additional one-seventh of unused sick balance up to twenty-eight days, for a total maximum of fifty-eight severance days. Certified employees with greater than twenty years of service receive an additional one-seventh of unused sick balance up to forty days, for a total maximum of seventy severance days.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

Classified employees shall receive a payment of one-third of their unused sick leave up to a maximum of two hundred ten days.

B. Early Retirement Incentive

The District's Board of Education approved an Early Retirement Incentive Program (ERIP) for its certified employees for fiscal years 1999-2002. The incentive offered was a three year buy-out and ERIP benefits were paid out in June of 1999, 2000, 2001 and 2002. The remaining obligation under the ERIP was liquidated during fiscal 2003. Therefore, no liability exists as of June 30, 2003.

In the first year of the ERIP, participation was to be made available to the greater of nine individuals or 5% of all eligible certified staff. If more than that number applied and were eligible, participants were selected in order of seniority in the District. In the second and third years of the ERIP, the plan is to be made available to the greater of six individuals or 5% of all eligible certified staff. If more than that number apply and would be eligible, participants shall be selected in order of seniority in the District.

The ERIP will be deemed not to be feasible if it appears that it will not save money over the three year period following the commencement of the plan year. In the event the ERIP is not financially feasible, a plan shall not be implemented for that year.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:			
Each occurrence	Harcum-Hyre	\$ 2,000,000	\$ 0
Aggregate		5,000,000	0
Property	Harcum-Hyre	37,912,900	5,000
Fleet:			
Comprehensive	Harcum-Hyre	3,000,000	100
Collision		3,000,000	100
Boiler and machinery	Harcum-Hyre	15,560,100	1,000

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

B. Employee Group Medical, Dental and Vision Insurance

The District has elected to provide a fully insured PPO medical plan. This package provides a comprehensive medical plan where members pay \$5 per visit with no deductible within the network. If members elect to go out of the network, the plan pays 80% with a deductible of \$100 for single and \$200 for family. The medical plan is administered by Medical Mutual of Ohio. The total monthly premium for the medical plan is \$453.59 for single coverage and \$1,159.12 for family coverage.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 13 - RISK MANAGEMENT - (Continued)

The District provides dental coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$37.41 for single and \$93.57 for family coverage. This premium includes the employee portion, which is paid by the District. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement.

The District also provides vision coverage for its employees on a fully-insured basis through Medical Mutual of Ohio. The total monthly premium is \$15.45 for single coverage and \$38.60 for family coverage. This premium includes the employee portion, which is paid by the District. This amount is also capped by negotiated union contracts and cannot be raised except through negotiated agreement.

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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A 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. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains five enterprise funds to account for the operations of food service, uniform supplies, special services rotary, adult education, and special enterprise. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds or the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Special Services Rotary</u>	<u>Adult Education</u>	<u>Compact</u>	<u>Total</u>
Operating revenue	\$109,986	\$ 8,273	\$21	\$ -	\$ 419,074	\$ 537,354
Operating expenses before depreciation	133,446	13,210	-	-	165,507	312,163
Depreciation	1,880	-	-	-	148,600	150,480
Operating income/(loss)	(25,340)	(4,937)	21	-	104,967	74,711
Operating grants	29,688	-	-	-	218,100	247,788
Federal donated commodities	1,295	-	-	-	-	1,295
Operating transfers in	12,999	7,498	-	-	-	20,497
Net income	18,642	2,561	21	-	323,067	344,291
Fixed assets: Additions	3,781	-	-	-	-	3,781
Net working capital	(1,354)	12,892	21	682	(17,996)	(5,755)
Total assets	22,507	12,892	21	682	2,910,915	2,947,017
Total liabilities	19,108	-	-	-	71,871	90,979
Contributed capital	-	-	-	-	2,760,737	2,760,737
Total equity	3,399	12,892	21	682	2,839,044	2,856,038
Encumbrances at 6/30/03	-	-	-	-	343	343

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 15 - 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 of 14% for 2003, 8.17% was the portion 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 \$88,777, \$116,167, and \$119,804, respectively; 38.27% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$54,804 represents the unpaid contribution for fiscal year 2003.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 14%; 13% 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 \$343,573, \$495,614, and \$486,963, respectively; 85.29% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$50,552 represents the unpaid contribution for fiscal year 2003.

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 percent of wages paid.

NOTE 16 - 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.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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 \$24,541 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 \$12,400. 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, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 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 \$46,397 during the 2003 fiscal year.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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);
- (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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis); and
- (d) Intrafund transfers have been presented as other financing sources (uses) on a budget basis. Intrafund transfers have been eliminated for GAAP basis reporting purposes.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over/Under Expenditures and Other
Financing Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$330,705	\$ 6,566	\$(4,220)	\$3,744
Net adjustment for revenue accruals	30,839	9,501	1,812	-
Net adjustment for expenditure accruals	(206,370)	4,681	-	-
Net adjustment for other financing sources/(uses)	(451,759)	5,228	-	-
Encumbrances (budget basis)	<u>23,298</u>	<u>11,403</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$(273,287)</u>	<u>\$37,379</u>	<u>\$(2,408)</u>	<u>\$3,744</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

There is no current litigation pending which would have a material effect on the financial statements.

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.

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

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

NOTE 19 - 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>
Set-aside cash balance as of June 30, 2002	\$111,864	\$(218,247)
Current year set-aside requirement	102,976	102,976
Current year offsets	-	-
Qualifying disbursements	<u>(31,576)</u>	<u>(44,057)</u>
Total	<u>\$183,264</u>	<u>\$(159,328)</u>
Cash balance carried forward to FY 2004	<u>\$183,264</u>	<u>\$(159,328)</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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

Amount restricted for instructional materials	<u>\$183,264</u>
Total restricted assets	<u>\$183,264</u>

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

In accordance with Ohio Revised Code Chapter 3316, the District was placed under fiscal emergency by the Auditor of State in December of 2000. The declaration of fiscal emergency results from spending exceeding revenues, relying on carryover cash balances from prior years, and borrowing to finance recent deficits.

The financial operation of the District has in part been turned over to the Financial Planning and Supervision Commission. This commission is comprised of five members including the Superintendent of Public Instruction and the School Management Assistance Assistant Director.



**Auditor of State
Betty Montgomery**

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

Lordstown Local School District
Trumbull County
1824 Salt Springs Road
Warren, Ohio 44481

To the Board of Education:

We have audited the accompanying financial statements of the Lordstown Local School District (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. 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 the 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. However, we noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 24, 2003.

Lordstown Local School District
Trumbull County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, Board of Education, 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

November 24, 2003

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2003**

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-11178-001	ORC 5705.41(D), incurring obligation prior to certification.	No	This citation was partially corrected. However, we will repeat this citation in the management letter.
2002-11178-002	ORC 3315.17 and 3315.171, textbook set aside requirement was not met for the audit period.	Yes	
2002-11178-003	ORC 5705.41(B), expenditures and encumbrances were in excess of appropriations.	Yes	



**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

LORDSTOWN LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2004**