

**LUCAS LOCAL
SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEARS ENDED
JUNE 30, 2003 AND 2002***

BARB DONOHUE, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Lucas Local School District
84 Lucas North Road
Lucas, Ohio 44843

We have reviewed the Independent Auditor's Report of the Lucas Local School District, Richland County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2001 to June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lucas Local School District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

January 6, 2004

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**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Independent Auditor's Report

Board of Education
Lucas Local School District
84 Lucas North Road
Lucas, Ohio 44843

We have audited the accompanying general purpose financial statements of the Lucas Local School District, Richland County, Ohio, as of and for the fiscal years ended June 30, 2003 and 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Lucas Local School 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose 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 Lucas Local School District, Richland County, as of June 30, 2003 and 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the fiscal years 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 December 15, 2003, on our consideration of the Lucas Local School 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.

Trimble, Julian & Grube, Inc.
December 15, 2003

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND 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	\$ 515,617	\$ 38,637	\$ 110,388	\$ 366,627
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Cash with fiscal agent	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	2,145,019	-	-	-
Accounts	-	4,012	-	-
Accrued interest	6,029	-	-	-
Due from other governments	-	22,266	-	-
Materials and supplies inventory	29,122	-	-	-
Prepayments	19,130	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	22,139	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 2,737,056</u>	<u>\$ 64,915</u>	<u>\$ 110,388</u>	<u>\$ 366,627</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 22,479	\$ 3,694	\$ -	\$ -
Accrued wages and benefits	293,745	7,649	-	-
Compensated absences payable	27,430	-	-	-
Pension obligation payable	72,849	-	-	-
Claims payable	-	-	-	-
Deferred revenue	2,076,648	19,592	-	-
Due to other governments	15,608	363	-	-
Due to students	-	-	-	-
Total liabilities	<u>2,508,759</u>	<u>31,298</u>	<u>-</u>	<u>-</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	10,727	792	-	-
Reserved for materials and supplies inventory	29,122	-	-	-
Reserved for prepayments	19,130	-	-	-
Reserved for debt service	-	-	110,388	-
Reserved for tax revenue unavailable for appropriation	63,303	-	-	-
Reserved for school bus purchases	22,139	-	-	-
Reserved for principal endowment	-	-	-	-
Unreserved-undesignated	83,876	32,825	-	366,627
Total equity and other credits	<u>228,297</u>	<u>33,617</u>	<u>110,388</u>	<u>366,627</u>
Total liabilities, equity and other credits	<u>\$ 2,737,056</u>	<u>\$ 64,915</u>	<u>\$ 110,388</u>	<u>\$ 366,627</u>

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)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 72,199	\$ 60,707	\$ 32,344	\$ -	\$ -	\$ 1,196,519
-	-	35,705	-	-	35,705
-	5,663	-	-	-	5,663
-	-	-	-	-	2,145,019
42	-	107	-	-	4,161
-	-	-	-	-	6,029
-	-	-	-	-	22,266
4,480	-	-	-	-	33,602
120	-	-	-	-	19,250
-	-	-	-	-	22,139
17,937	-	-	4,707,646	-	4,725,583
-	-	-	-	221,985	221,985
<u>\$ 94,778</u>	<u>\$ 66,370</u>	<u>\$ 68,156</u>	<u>\$ 4,707,646</u>	<u>\$ 221,985</u>	<u>\$ 8,437,921</u>
\$ 4,514	\$ -	\$ -	\$ -	\$ -	\$ 30,687
4,885	-	-	-	-	306,279
5,514	-	-	-	162,445	195,389
8,461	-	-	-	59,540	140,850
-	128,940	-	-	-	128,940
-	-	-	-	-	2,096,240
351	-	-	-	-	16,322
-	-	23,558	-	-	23,558
<u>23,725</u>	<u>128,940</u>	<u>23,558</u>	<u>-</u>	<u>221,985</u>	<u>2,938,265</u>
-	-	-	4,707,646	-	4,707,646
1,500	-	-	-	-	1,500
69,553	(62,570)	-	-	-	6,983
-	-	-	-	-	11,519
-	-	-	-	-	29,122
-	-	-	-	-	19,130
-	-	-	-	-	110,388
-	-	-	-	-	63,303
-	-	-	-	-	22,139
-	-	35,705	-	-	35,705
-	-	8,893	-	-	492,221
<u>71,053</u>	<u>(62,570)</u>	<u>44,598</u>	<u>4,707,646</u>	<u>-</u>	<u>5,499,656</u>
<u>\$ 94,778</u>	<u>\$ 66,370</u>	<u>\$ 68,156</u>	<u>\$ 4,707,646</u>	<u>\$ 221,985</u>	<u>\$ 8,437,921</u>

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LUCAS LOCAL SCHOOL DISTRICT
RICHLAND 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	\$ 1,662,375	\$ -	\$ -	\$ -	\$ -	\$ 1,662,375
Tuition	21,683	-	-	-	-	21,683
Earnings on investments	34,005	30	-	90	41	34,166
Extracurricular	-	100,166	-	-	733	100,899
Other local revenues	11,525	1,535	-	200	5,000	18,260
Other revenue	-	3,590	-	-	-	3,590
Intergovernmental - State	2,357,536	36,699	-	10,500	-	2,404,735
Intergovernmental - Federal	-	124,180	-	-	-	124,180
Total revenues	4,087,124	266,200	-	10,790	5,774	4,369,888
Expenditures:						
Current:						
Instruction:						
Regular	1,805,292	34,701	-	3,976	-	1,843,969
Special	217,836	54,739	-	-	-	272,575
Vocational	106,422	1,044	-	-	-	107,466
Other	232,467	-	-	-	-	232,467
Support services:						
Pupil	91,610	58,560	-	-	-	150,170
Instructional staff	279,037	43,862	-	-	479	323,378
Board of Education	30,573	-	-	-	-	30,573
Administration	586,588	40,706	-	-	-	627,294
Fiscal	161,408	-	-	-	-	161,408
Business	4,707	-	-	-	-	4,707
Operations and maintenance	478,104	-	-	-	-	478,104
Pupil transportation	258,526	-	-	-	-	258,526
Central	43,305	20,089	-	1,500	-	64,894
Community services	4,245	-	-	-	-	4,245
Extracurricular activities	174,411	79,573	-	-	-	253,984
Debt service:						
Principal retirement	-	-	32,269	-	-	32,269
Interest and fiscal charges	-	-	1,016	-	-	1,016
Total expenditures	4,474,531	333,274	33,285	5,476	479	4,847,045
Excess (deficiency) of revenues over (under) expenditures	(387,407)	(67,074)	(33,285)	5,314	5,295	(477,157)
Other financing sources (uses):						
Operating transfers in	-	-	-	350,000	-	350,000
Operating transfers out	(355,000)	-	-	-	-	(355,000)
Proceeds from sale of fixed assets	1,628	-	-	-	-	1,628
Total other financing sources (uses)	(353,372)	-	-	350,000	-	(3,372)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(740,779)	(67,074)	(33,285)	355,314	5,295	(480,529)
Fund balances, July 1	968,814	100,691	143,673	11,313	3,598	1,228,089
Increase in reserve for inventory	262	-	-	-	-	262
Fund balances, June 30	\$ 228,297	\$ 33,617	\$ 110,388	\$ 366,627	\$ 8,893	\$ 747,822

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (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	\$ 1,728,082	\$ 1,653,967	\$ (74,115)	\$ -	\$ -	\$ -
Tuition	22,655	21,683	(972)	-	-	-
Earnings on investments	39,180	37,500	(1,680)	37	30	(7)
Extracurricular	-	-	-	119,780	97,024	(22,756)
Other local revenues	10,063	9,631	(432)	1,895	1,535	(360)
Other revenue	-	-	-	4,432	3,590	(842)
Intergovernmental - State	2,463,179	2,357,536	(105,643)	45,306	36,699	(8,607)
Intergovernmental - Federal	-	-	-	151,560	122,767	(28,793)
Total revenues	<u>4,263,159</u>	<u>4,080,317</u>	<u>(182,842)</u>	<u>323,010</u>	<u>261,645</u>	<u>(61,365)</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,829,209	1,765,468	63,741	40,572	34,798	5,774
Special	219,887	212,225	7,662	54,757	46,964	7,793
Vocational	117,520	113,425	4,095	1,217	1,044	173
Other	240,860	232,467	8,393	-	-	-
Support services:						
Pupil	95,081	91,768	3,313	68,355	58,626	9,729
Instructional staff	285,269	275,328	9,941	50,963	43,710	7,253
Board of Education	32,547	31,413	1,134	-	-	-
Administration	610,954	589,665	21,289	47,708	40,918	6,790
Fiscal	173,866	167,807	6,059	-	-	-
Business	4,877	4,707	170	-	-	-
Operations and maintenance	491,756	474,620	17,136	-	-	-
Pupil transportation	284,646	274,727	9,919	-	-	-
Central	44,852	43,289	1,563	20,181	17,309	2,872
Community services	4,398	4,245	153	-	-	-
Extracurricular activities	169,193	163,297	5,896	92,604	79,423	13,181
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>4,604,915</u>	<u>4,444,451</u>	<u>160,464</u>	<u>376,357</u>	<u>322,792</u>	<u>53,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(341,756)</u>	<u>(364,134)</u>	<u>(22,378)</u>	<u>(53,347)</u>	<u>(61,147)</u>	<u>(7,800)</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(355,000)	(355,000)	-	-	-	-
Proceeds on sale of fixed assets	1,653	1,653	-	-	-	-
Refund of prior year expenditures	1,894	1,894	-	-	-	-
Refund of prior year receipts	-	-	-	(501)	(501)	-
Total other financing sources (uses)	<u>(351,453)</u>	<u>(351,453)</u>	<u>-</u>	<u>(501)</u>	<u>(501)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(693,209)</u>	<u>(715,587)</u>	<u>(22,378)</u>	<u>(53,848)</u>	<u>(61,648)</u>	<u>(7,800)</u>
Fund balances, July 1	1,166,669	1,166,669	-	81,470	81,470	-
Prior year encumbrances appropriated	72,381	72,381	-	15,942	15,942	-
Fund balances, June 30	<u>\$ 545,841</u>	<u>\$ 523,463</u>	<u>\$ (22,378)</u>	<u>\$ 43,564</u>	<u>\$ 35,764</u>	<u>\$ (7,800)</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,728,082	\$ 1,653,967	\$ (74,115)
-	-	-	-	-	-	22,655	21,683	(972)
-	-	-	193	90	(103)	39,410	37,620	(1,790)
-	-	-	-	-	-	119,780	97,024	(22,756)
-	-	-	12,497	200	(12,297)	24,455	11,366	(13,089)
-	-	-	-	-	-	4,432	3,590	(842)
-	-	-	10,500	10,500	-	2,518,985	2,404,735	(114,250)
-	-	-	-	-	-	151,560	122,767	(28,793)
-	-	-	23,190	10,790	(12,400)	4,609,359	4,352,752	(256,607)
-	-	-	8,078	4,999	3,079	1,877,859	1,805,265	72,594
-	-	-	-	-	-	274,644	259,189	15,455
-	-	-	-	-	-	118,737	114,469	4,268
-	-	-	-	-	-	240,860	232,467	8,393
-	-	-	-	-	-	163,436	150,394	13,042
-	-	-	-	-	-	336,232	319,038	17,194
-	-	-	-	-	-	32,547	31,413	1,134
-	-	-	-	-	-	658,662	630,583	28,079
811	-	811	-	-	-	174,677	167,807	6,870
-	-	-	-	-	-	4,877	4,707	170
-	-	-	-	-	-	491,756	474,620	17,136
-	-	-	-	-	-	284,646	274,727	9,919
-	-	-	2,422	1,499	923	67,455	62,097	5,358
-	-	-	-	-	-	4,398	4,245	153
-	-	-	-	-	-	261,797	242,720	19,077
-	-	-	-	-	-	-	-	-
32,269	32,269	-	-	-	-	32,269	32,269	-
48,609	1,016	47,593	-	-	-	48,609	1,016	47,593
81,689	33,285	48,404	10,500	6,498	4,002	5,073,461	4,807,026	266,435
(81,689)	(33,285)	48,404	12,690	4,292	(8,398)	(464,102)	(454,274)	9,828
-	-	-	350,000	350,000	-	350,000	350,000	-
-	-	-	-	-	-	(355,000)	(355,000)	-
-	-	-	-	-	-	1,653	1,653	-
-	-	-	-	-	-	1,894	1,894	-
-	-	-	-	-	-	(501)	(501)	-
-	-	-	350,000	350,000	-	(1,954)	(1,954)	-
(81,689)	(33,285)	48,404	362,690	354,292	(8,398)	(466,056)	(456,228)	9,828
143,673	143,673	-	12,335	12,335	-	1,404,147	1,404,147	-
-	-	-	-	-	-	88,323	88,323	-
\$ 61,984	\$ 110,388	\$ 48,404	\$ 375,025	\$ 366,627	\$ (8,398)	\$ 1,026,414	\$ 1,036,242	\$ 9,828

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LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$ 23,974	\$ -	\$ -	\$ 23,974
Sales/charges for services	131,762	405,643	-	537,405
Investment earnings	-	-	478	478
Other operating revenues.	<u>-</u>	<u>206</u>	<u>-</u>	<u>206</u>
Total operating revenues	<u>155,736</u>	<u>405,849</u>	<u>478</u>	<u>562,063</u>
Operating expenses:				
Personal services	91,945	-	-	91,945
Contract services	14,739	36,495	-	51,234
Materials and supplies	101,080	712	-	101,792
Depreciation	2,566	-	-	2,566
Claims expense	-	376,214	-	376,214
Other	<u>60</u>	<u>1,325</u>	<u>1,499</u>	<u>2,884</u>
Total operating expenses	<u>210,390</u>	<u>414,746</u>	<u>1,499</u>	<u>626,635</u>
Operating loss	<u>(54,654)</u>	<u>(8,897)</u>	<u>(1,021)</u>	<u>(64,572)</u>
Nonoperating revenues:				
Grants and subsidies.	28,287	-	-	28,287
Federal commodities	20,411	-	-	20,411
Interest revenue.	<u>628</u>	<u>845</u>	<u>-</u>	<u>1,473</u>
Total nonoperating revenues.	<u>49,326</u>	<u>845</u>	<u>-</u>	<u>50,171</u>
Net loss before operating transfers	(5,328)	(8,052)	(1,021)	(14,401)
Operating transfers in	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Net loss.	(328)	(8,052)	(1,021)	(9,401)
Retained earnings (accumulated deficit)/ fund balance, July 1.	<u>69,881</u>	<u>(54,518)</u>	<u>36,726</u>	<u>52,089</u>
Retained earnings (accumulated deficit)/ fund balance, June 30.	<u>\$ 69,553</u>	<u>\$ (62,570)</u>	<u>\$ 35,705</u>	<u>\$ 42,688</u>

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 23,974	\$ -	\$ -	\$ 23,974
Cash received from sales/service charges	131,720	405,643	-	537,363
Cash received from other operations	-	206	-	206
Cash payments for personal services	(77,769)	-	-	(77,769)
Cash payments for contract services	(10,576)	(36,495)	-	(47,071)
Cash payments for materials and supplies.	(83,182)	(712)	-	(83,894)
Cash payments for claims expenses.	-	(365,239)	-	(365,239)
Cash payments for other expenses	(180)	(1,325)	(1,499)	(3,004)
Net cash provided by (used in) operating activities	<u>(16,013)</u>	<u>2,078</u>	<u>(1,499)</u>	<u>(15,434)</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies	31,171	-	-	31,171
Cash received from transfers in.	5,000	-	-	5,000
Net cash provided by noncapital financing activities	<u>36,171</u>	<u>-</u>	<u>-</u>	<u>36,171</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,047)	-	-	(5,047)
Net cash used in capital and related financing activities	<u>(5,047)</u>	<u>-</u>	<u>-</u>	<u>(5,047)</u>
Cash flows from investing activities:				
Interest received	628	845	478	1,951
Net cash provided by investing activities.	<u>628</u>	<u>845</u>	<u>478</u>	<u>1,951</u>
Net increase (decrease) in cash and cash equivalents	15,739	2,923	(1,021)	17,641
Cash and cash equivalents at beginning of year.	56,460	63,447	36,726	156,633
Cash and cash equivalents at end of year	<u>\$ 72,199</u>	<u>\$ 66,370</u>	<u>\$ 35,705</u>	<u>\$ 174,274</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (54,654)	\$ (8,897)	\$ (1,021)	\$ (64,572)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	2,566	-	-	2,566
Federal donated commodities	20,411	-	-	20,411
Interest reported as operating income	-	-	(478)	(478)
Changes in assets and liabilities:				
Increase in materials and supplies inventory.	(2,513)	-	-	(2,513)
Increase in accounts receivable	(42)	-	-	(42)
Increase in accounts payable.	3,924	-	-	3,924
Increase in accrued wages and benefits	4,590	-	-	4,590
Increase in compensated absences payable	4,265	-	-	4,265
Increase in due to other governments	119	-	-	119
Increase in pension obligation payable	5,321	-	-	5,321
Increase in claims payable.	-	10,975	-	10,975
Net cash provided by (used in) operating activities	<u>\$ (16,013)</u>	<u>\$ 2,078</u>	<u>\$ (1,499)</u>	<u>\$ (15,434)</u>

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

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LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 1,239,050	\$ 97,412	\$ 143,673	\$ 12,335
Equity in pooled cash and cash equivalents - nonexpendable trust fund	-	-	-	-
Cash with fiscal agent	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	1,960,941	-	-	-
Accounts.	25	250	-	-
Accrued interest	11,576	-	-	-
Due from other governments	-	17,576	-	-
Materials and supplies inventory	28,860	-	-	-
Prepayments	20,274	3,157	-	-
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	<u>\$ 3,260,726</u>	<u>\$ 118,395</u>	<u>\$ 143,673</u>	<u>\$ 12,335</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 19,547	\$ 1,591	\$ -	\$ 1,022
Accrued wages and benefits.	279,494	-	-	-
Compensated absences payable.	13,705	-	-	-
Pension obligation payable	62,196	104	-	-
Claims payable	-	-	-	-
Deferred revenue	1,903,030	15,695	-	-
Due to other governments.	13,940	314	-	-
Due to students	-	-	-	-
Energy conservation note payable	-	-	-	-
Total liabilities.	<u>2,291,912</u>	<u>17,704</u>	<u>-</u>	<u>1,022</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved.	-	-	-	-
Fund balances:				
Reserved for encumbrances	61,813	14,706	-	-
Reserved for materials and supplies inventory.	28,860	-	-	-
Reserved for prepayments	20,274	3,157	-	-
Reserved for debt service	-	-	143,673	-
Reserved for tax revenue unavailable for appropriation.	59,337	-	-	-
Reserved for principal endowment	-	-	-	-
Unreserved-undesignated	798,530	82,828	-	11,313
Total equity and other credits	<u>968,814</u>	<u>100,691</u>	<u>143,673</u>	<u>11,313</u>
Total liabilities, equity and other credits.	<u>\$ 3,260,726</u>	<u>\$ 118,395</u>	<u>\$ 143,673</u>	<u>\$ 12,335</u>

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)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations		
\$ 56,460	\$ 14,622	\$ 30,682	\$ -	\$ -	\$ 1,594,234	
-	-	36,726	-	-	36,726	
-	48,825	-	-	-	48,825	
-	-	-	-	-	1,960,941	
-	-	-	-	-	275	
-	-	-	-	-	11,576	
2,884	-	-	-	-	20,460	
1,967	-	-	-	-	30,827	
120	-	-	-	-	23,551	
15,456	-	-	4,578,513	-	4,593,969	
-	-	-	-	32,269	32,269	
-	-	-	-	185,182	185,182	
<u>\$ 76,887</u>	<u>\$ 63,447</u>	<u>\$ 67,408</u>	<u>\$ 4,578,513</u>	<u>\$ 217,451</u>	<u>\$ 8,538,835</u>	
\$ 590	\$ -	\$ -	\$ -	\$ -	\$ 22,750	
295	-	-	-	-	279,789	
1,249	-	-	-	132,201	147,155	
3,140	-	-	-	52,981	118,421	
-	117,965	-	-	-	117,965	
-	-	-	-	-	1,918,725	
232	-	-	-	-	14,486	
-	-	27,084	-	-	27,084	
-	-	-	-	32,269	32,269	
<u>5,506</u>	<u>117,965</u>	<u>27,084</u>	<u>-</u>	<u>217,451</u>	<u>2,678,644</u>	
-	-	-	4,578,513	-	4,578,513	
1,500	-	-	-	-	1,500	
69,881	(54,518)	-	-	-	15,363	
-	-	-	-	-	76,519	
-	-	-	-	-	28,860	
-	-	-	-	-	23,431	
-	-	-	-	-	143,673	
-	-	-	-	-	59,337	
-	-	36,726	-	-	36,726	
-	-	3,598	-	-	896,269	
<u>71,381</u>	<u>(54,518)</u>	<u>40,324</u>	<u>4,578,513</u>	<u>-</u>	<u>5,860,191</u>	
<u>\$ 76,887</u>	<u>\$ 63,447</u>	<u>\$ 67,408</u>	<u>\$ 4,578,513</u>	<u>\$ 217,451</u>	<u>\$ 8,538,835</u>	

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LUCAS LOCAL SCHOOL DISTRICT
RICHLAND 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, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 1,507,833	\$ -	\$ 179,484	\$ -	\$ -	\$ 1,687,317
Tuition	22,163	-	-	-	-	22,163
Earnings on investments	73,275	181	-	275	85	73,816
Extracurricular	-	75,715	-	-	1,298	77,013
Other local revenues	5,348	3,479	-	2,430	-	11,257
Other revenue	-	2,609	-	-	-	2,609
Intergovernmental - State	2,320,485	43,777	3,003	19,380	-	2,386,645
Intergovernmental - Federal	866	95,449	-	-	-	96,315
Total revenues	3,929,970	221,210	182,487	22,085	1,383	4,357,135
Expenditures:						
Current:						
Instruction:						
Regular	1,654,052	19,262	-	25,389	-	1,698,703
Special	178,210	40,108	-	-	-	218,318
Vocational	85,697	-	-	-	1,200	86,897
Other	178,555	-	-	-	-	178,555
Support services:						
Pupil	135,760	7,068	-	-	-	142,828
Instructional staff	219,884	36,758	-	1,018	2,393	260,053
Board of Education	23,760	-	-	-	-	23,760
Administration	596,398	23,189	-	-	-	619,587
Fiscal	180,974	-	2,358	-	-	183,332
Business	4,704	-	-	-	-	4,704
Operations and maintenance	433,383	-	-	-	-	433,383
Pupil transportation	378,080	-	-	-	-	378,080
Central	8,231	10,211	-	10,164	-	28,606
Community services	3,738	676	-	-	-	4,414
Extracurricular activities	128,159	57,184	-	-	-	185,343
Debt service:						
Principal retirement	-	-	75,379	-	-	75,379
Interest and fiscal charges	-	-	3,610	-	-	3,610
Total expenditures	4,209,585	194,456	81,347	36,571	3,593	4,525,552
Excess (deficiency) of revenues over (under) expenditures	(279,615)	26,754	101,140	(14,486)	(2,210)	(168,417)
Other financing sources:						
Proceeds from sale of fixed assets	911	-	-	-	-	911
Total other financing sources	911	-	-	-	-	911
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources	(278,704)	26,754	101,140	(14,486)	(2,210)	(167,506)
Fund balances, July 1	1,244,894	73,937	42,533	25,799	5,808	1,392,971
Increase in reserve for inventory	2,624	-	-	-	-	2,624
Fund balances, June 30	\$ 968,814	\$ 100,691	\$ 143,673	\$ 11,313	\$ 3,598	\$ 1,228,089

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 1,557,270	\$ 1,527,077	\$ (30,193)	\$ -	\$ -	\$ -
Tuition	26,161	28,458	2,297	-	-	-
Earnings on investments	55,395	69,962	14,567	1,016	181	(835)
Extracurricular	-	-	-	100,163	71,624	(28,539)
Other local revenues	6,288	6,783	495	4,822	3,747	(1,075)
Other revenue	-	-	-	2,584	2,609	25
Intergovernmental - State	2,350,749	2,320,485	(30,264)	42,910	43,777	867
Intergovernmental - Federal	4,005	866	(3,139)	108,549	93,568	(14,981)
Total revenues	<u>3,999,868</u>	<u>3,953,631</u>	<u>(46,237)</u>	<u>260,044</u>	<u>215,506</u>	<u>(44,538)</u>
Expenditures:						
Current:						
Instruction:						
Regular	1,774,575	1,638,356	136,219	48,292	23,934	24,358
Special	334,344	183,888	150,456	41,719	40,096	1,623
Vocational	112,397	100,675	11,722	-	-	-
Other	112,704	178,564	(65,860)	-	-	-
Support services:						
Pupil	136,372	136,341	31	21,422	7,067	14,355
Instructional staff	239,141	226,770	12,371	54,437	50,395	4,042
Board of Education	16,543	31,803	(15,260)	-	-	-
Administration	597,986	579,370	18,616	27,076	24,692	2,384
Fiscal	189,996	182,242	7,754	-	-	-
Business	-	4,704	(4,704)	-	-	-
Operations and maintenance	460,020	441,349	18,671	-	-	-
Pupil transportation	396,390	375,858	20,532	-	-	-
Central	9,946	8,569	1,377	17,122	10,373	6,749
Community services	5,714	4,238	1,476	649	670	(21)
Extracurricular activities	133,558	131,210	2,348	76,417	59,867	16,550
Facilities acquisition and construction	4,918	4,000	918	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>4,524,604</u>	<u>4,227,937</u>	<u>296,667</u>	<u>287,134</u>	<u>217,094</u>	<u>70,040</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(524,736)</u>	<u>(274,306)</u>	<u>250,430</u>	<u>(27,090)</u>	<u>(1,588)</u>	<u>25,502</u>
Other financing sources (uses):						
Advances in	22,577	22,450	(127)	-	-	-
Operating transfers out	(3,000)	-	3,000	-	-	-
Proceeds from sale of assets	5	886	881	-	-	-
Refund of prior year expenditures	-	42	42	-	-	-
Refund of prior year receipts	-	-	-	(95)	(95)	-
Total other financing sources (uses)	<u>19,582</u>	<u>23,378</u>	<u>3,796</u>	<u>(95)</u>	<u>(95)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(505,154)</u>	<u>(250,928)</u>	<u>254,226</u>	<u>(27,185)</u>	<u>(1,683)</u>	<u>25,502</u>
Fund balances, July 1	1,392,858	1,392,858	-	76,226	76,226	-
Prior year encumbrances appropriated	24,739	24,739	-	6,927	6,927	-
Fund balances (deficit), June 30	<u>\$ 912,443</u>	<u>\$ 1,166,669</u>	<u>\$ 254,226</u>	<u>\$ 55,968</u>	<u>\$ 81,470</u>	<u>\$ 25,502</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 47,000	\$ 181,411	\$ 134,411	\$ -	\$ -	\$ -	\$ 1,604,270	\$ 1,708,488	\$ 104,218
-	-	-	-	-	-	26,161	28,458	2,297
-	-	-	58	275	217	56,469	70,418	13,949
-	-	-	-	-	-	100,163	71,624	(28,539)
-	-	-	620	2,430	1,810	11,730	12,960	1,230
-	-	-	-	-	-	2,584	2,609	25
3,000	3,003	3	8,603	19,380	10,777	2,405,262	2,386,645	(18,617)
-	-	-	-	-	-	112,554	94,434	(18,120)
<u>50,000</u>	<u>184,414</u>	<u>134,414</u>	<u>9,281</u>	<u>22,085</u>	<u>12,804</u>	<u>4,319,193</u>	<u>4,375,636</u>	<u>56,443</u>
-	-	-	24,023	27,365	(3,342)	1,846,890	1,689,655	157,235
-	-	-	-	-	-	376,063	223,984	152,079
-	-	-	-	-	-	112,397	100,675	11,722
-	-	-	-	-	-	112,704	178,564	(65,860)
-	-	-	-	-	-	157,794	143,408	14,386
-	-	-	-	-	-	293,578	277,165	16,413
-	-	-	-	-	-	16,543	31,803	(15,260)
-	-	-	-	-	-	625,062	604,062	21,000
2,700	2,358	342	-	-	-	192,696	184,600	8,096
-	-	-	-	-	-	-	4,704	(4,704)
-	-	-	-	-	-	460,020	441,349	18,671
-	-	-	-	-	-	396,390	375,858	20,532
-	-	-	18,693	10,164	8,529	45,761	29,106	16,655
-	-	-	-	-	-	6,363	4,908	1,455
-	-	-	-	-	-	209,975	191,077	18,898
-	-	-	-	-	-	4,918	4,000	918
75,379	75,379	-	-	-	-	75,379	75,379	-
3,610	3,610	-	-	-	-	3,610	3,610	-
<u>81,689</u>	<u>81,347</u>	<u>342</u>	<u>42,716</u>	<u>37,529</u>	<u>5,187</u>	<u>4,936,143</u>	<u>4,563,907</u>	<u>372,236</u>
<u>(31,689)</u>	<u>103,067</u>	<u>134,756</u>	<u>(33,435)</u>	<u>(15,444)</u>	<u>17,991</u>	<u>(616,950)</u>	<u>(188,271)</u>	<u>428,679</u>
-	-	-	-	-	-	22,577	22,450	(127)
-	-	-	-	-	-	(3,000)	-	3,000
-	-	-	-	-	-	5	886	881
-	-	-	-	-	-	-	42	42
-	-	-	-	-	-	(95)	(95)	-
-	-	-	-	-	-	<u>19,487</u>	<u>23,283</u>	<u>3,796</u>
(31,689)	103,067	134,756	(33,435)	(15,444)	17,991	(597,463)	(164,988)	432,475
40,606	40,606	-	23,070	23,070	-	1,532,760	1,532,760	-
-	-	-	4,709	4,709	-	36,375	36,375	-
<u>\$ 8,917</u>	<u>\$ 143,673</u>	<u>\$ 134,756</u>	<u>\$ (5,656)</u>	<u>\$ 12,335</u>	<u>\$ 17,991</u>	<u>\$ 971,672</u>	<u>\$ 1,404,147</u>	<u>\$ 432,475</u>

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$ 19,707	\$ -	\$ -	\$ 19,707
Sales/charges for services	138,537	268,525	-	407,062
Investment earnings	<u>-</u>	<u>-</u>	<u>918</u>	<u>918</u>
Total operating revenues	<u>158,244</u>	<u>268,525</u>	<u>918</u>	<u>427,687</u>
Operating expenses:				
Personal services	69,087	-	-	69,087
Contract services	2,598	99,410	-	102,008
Materials and supplies	92,618	2,262	-	94,880
Depreciation	2,658	-	-	2,658
Claims expense	-	345,512	-	345,512
Other	<u>180</u>	<u>6,043</u>	<u>1,499</u>	<u>7,722</u>
Total operating expenses	<u>167,141</u>	<u>453,227</u>	<u>1,499</u>	<u>621,867</u>
Operating loss	<u>(8,897)</u>	<u>(184,702)</u>	<u>(581)</u>	<u>(194,180)</u>
Nonoperating revenues:				
Grants and subsidies	24,608	-	-	24,608
Federal commodities	9,591	-	-	9,591
Interest revenue	846	59	-	905
Other nonoperating revenues	<u>-</u>	<u>1,935</u>	<u>-</u>	<u>1,935</u>
Total nonoperating revenues	<u>35,045</u>	<u>1,994</u>	<u>-</u>	<u>37,039</u>
Net income (loss)	26,148	(182,708)	(581)	(157,141)
Retained earnings/fund balance, July 1	<u>43,733</u>	<u>128,190</u>	<u>37,307</u>	<u>209,230</u>
Retained earnings (accumulated deficit)/ fund balance, June 30	<u>\$ 69,881</u>	<u>\$ (54,518)</u>	<u>\$ 36,726</u>	<u>\$ 52,089</u>

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

LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$ 19,707	\$ -	\$ -	\$ 19,707
Cash received from sales/service charges	138,738	247,786	-	386,524
Cash payments for personal services	(81,729)	-	-	(81,729)
Cash payments for contract services	(2,561)	(99,410)	-	(101,971)
Cash payments for materials and supplies.	(83,261)	(2,262)	-	(85,523)
Cash payments for claims expenses.	-	(265,212)	-	(265,212)
Cash payments for other expenses	(180)	(6,043)	(1,499)	(7,722)
Net cash used in operating activities.	<u>(9,286)</u>	<u>(125,141)</u>	<u>(1,499)</u>	<u>(135,926)</u>
Cash flows from noncapital financing activities:				
Cash received from grants and subsidies	24,335	-	-	24,335
Cash received from other noncapital financing activities.	-	1,935	-	1,935
Net cash provided by noncapital financing activities	<u>24,335</u>	<u>1,935</u>	<u>-</u>	<u>26,270</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,060)	-	-	(4,060)
Net cash used in capital and related financing activities	<u>(4,060)</u>	<u>-</u>	<u>-</u>	<u>(4,060)</u>
Cash flows from investing activities:				
Interest received	846	59	918	1,823
Net cash provided by investing activities	<u>846</u>	<u>59</u>	<u>918</u>	<u>1,823</u>
Net increase (decrease) in cash and cash equivalents.	11,835	(123,147)	(581)	(111,893)
Cash and cash equivalents at beginning of year	44,625	186,594	37,307	268,526
Cash and cash equivalents at end of year.	<u>\$ 56,460</u>	<u>\$ 63,447</u>	<u>\$ 36,726</u>	<u>\$ 156,633</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss.	\$ (8,897)	\$ (184,702)	\$ (581)	\$ (194,180)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	2,658	-	-	2,658
Federal donated commodities	9,591	-	-	9,591
Interest reported as operating income	-	-	(918)	(918)
Changes in assets and liabilities:				
Decrease in materials and supplies inventory	129	-	-	129
Decrease in accounts receivable	201	-	-	201
Increase in accounts payable.	590	-	-	590
Decrease in accrued wages and benefits.	(194)	-	-	(194)
Decrease in compensated absences payable	(4,896)	-	-	(4,896)
Increase in due to other governments.	232	-	-	232
Decrease in pension obligation payable	(7,784)	-	-	(7,784)
Increase in claims payable.	-	80,300	-	80,300
Decrease in deferred revenue.	(916)	(20,739)	-	(21,655)
Net cash used in operating activities	<u>\$ (9,286)</u>	<u>\$ (125,141)</u>	<u>\$ (1,499)</u>	<u>\$ (135,926)</u>

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

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**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Lucas 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 ranks as the 599th and 582nd largest by total enrollment among the 740 and 705 public and community school districts in the state for the fiscal years ended June 30, 2003 and 2002, respectively. The District operates under a locally-elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 47 and 35 classified and 35 and 47 certificated full-time teaching personnel who provide services to 598 and 618 students and other community members for the fiscal years ended June 30, 2003 and 2002, respectively.

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 on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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 ORGANIZATION

Heartland Council of Governments (the "COG")

The COG (the North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

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 (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 11 for further information on this group purchasing pool.

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 or the nonexpendable trust fund) are accounted for through governmental funds. The following are the District's governmental fund types:

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 expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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 of construction of major capital facilities (other than those financed by proprietary funds or the nonexpendable trust fund).

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.

Internal Service Funds - The internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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 a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in the same manner as proprietary 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. The agency fund is presented on a budget basis, with note disclosure, regarding items, which, in other fund types, would be subject to accrual. See Note 3.C. for an analysis of the 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

All proprietary funds and the nonexpendable trust fund 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 60 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 2002, and which are intended to finance fiscal 2004 and 2003 operations, respectively, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

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

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.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: 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 and nonexpendable trust fund 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 donated 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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 years 2003 and 2002 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 Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. 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 statements reflect the amounts set forth in the final Amended Certificates issued for fiscal years 2003 and 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (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 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 may not exceed the appropriation totals.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. 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 during fiscal 2003 and 2002.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

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 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the enterprise funds at the fiscal years ending June 30, 2003 and 2002, respectively. There were no encumbrances outstanding within the enterprise funds for the fiscal year ended June 30, 2003.

E. Cash and Investments

To improve cash management, cash received by the District other than cash held by its fiscal agent 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

During fiscal year 2003 and 2002, investments were limited to nonnegotiable certificates of deposit, a repurchase agreement and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), respectively. Except for nonparticipating investment contracts, investments are stated at fair value, which is based upon quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003 and 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, the district managed activities special revenue fund, the expendable trust fund, the nonexpendable trust fund, the food service enterprise fund, the employee benefit self-insurance internal service fund, and the permanent improvement capital projects fund. During the fiscal years ended June 30, 2003 and 2002, interest revenue credited to the general fund amounted to \$34,005 and \$73,275, respectively, which includes \$13,010 and \$17,557, respectively, assigned from other District funds.

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.

An analysis of the Treasurer's investment account for the fiscal years ended June 30, 2003 and 2002, respectively, is provided in Note 4.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

F. Materials and Supplies Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds consist of donated food, purchased food, food service paper and janitorial supplies and 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. 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>
Furniture and equipment	5 - 20

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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 50 or greater with at least 10 years of service and all employees with at least 20 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.

I. Contributions of Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings 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. The enterprise funds did not receive contributions of capital during fiscal years 2003 and 2002. Contributed capital in the enterprise funds at June 30, 2003 and 2002 is \$1,500.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

J. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. 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.

K. Fund Balance Reserves

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, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation, school bus purchases and principal endowment. Although, the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Interfund Transactions

During the course of normal operations, the District may have 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable and payable at June 30, 2003 and 2002.
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 and 2002.

M. 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.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

O. 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 fiscal year-end, because prepayment is not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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/Accumulated Deficit

Deficit Fund balances/accumulated deficit at June 30, 2003 and 2002, existed in the following funds:

	2003 Deficit Fund Balance/ Accumulated Deficit	2002 Deficit Fund Balance/ Accumulated Deficit
<u>Special Revenue Funds</u>		
Ohio Reads	\$ 150	\$ -
Title I	296	125
 <u>Internal Service Fund</u>		
Employee Benefits Self-Insurance	63,790	55,378

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur.

The deficit fund balances in the special revenue funds is caused largely by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The accumulated deficit in the Internal Service Employee Benefits Self-Insurance Fund is a result of the application of GAAP, namely in the recognition of incurred but not paid and incurred but not reported claims as a fund liability. This deficit will be eliminated as premiums are received to pay these claims.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

The following funds had expenditures in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code at June 30, 2003:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Fund</u>	
Ohio Reads	\$ 112
<u>Internal Service Fund</u>	
Employee Benefit Self-Insurance	14,676

The following funds had appropriations in excess of estimated revenues contrary to Section 5705.39, Ohio Revised Code at June 30, 2003 and 2002:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2003</u>	
<u>Special Revenue Fund</u>	
Eisenhower Grant	\$1,420
<u>Nonexpendable Trust Fund</u>	
Endowment Fund	1,050
<u>2002</u>	
<u>Capital Projects Fund</u>	
SchoolNet	6,220

C. Agency Fund

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

<u>LIABILITIES</u>	<u>2003</u>	<u>2002</u>
Accounts payable	\$350	\$3,128

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

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:

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;

**LUCAS LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

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

Cash with fiscal agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2003 and 2002 was \$5,663 and \$48,825, respectively.

Cash on Hand: At June 30, 2003 and 2002, the District had \$400 and \$450, respectively, in undeposited cash on hand which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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 June 30, 2003 and 2002, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$701,990 and \$870,782, respectively and the bank balances, including non-negotiable certificates of deposit, were \$793,500 and \$1,052,613, respectively. The entire bank balances for both fiscal year ends were covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposits are made. Written custodial agreements are required.

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. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

2003

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
STAR Ohio	\$ -	\$162,084	\$162,084
Repurchase agreement	<u>389,889</u>	<u>389,889</u>	<u>389,889</u>
Total investments	<u>\$389,889</u>	<u>\$551,973</u>	<u>\$551,973</u>

2002

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
STAR Ohio	\$ -	\$398,495	\$398,495
Repurchase agreement	<u>361,233</u>	<u>361,233</u>	<u>361,233</u>
Total investments	<u>\$361,233</u>	<u>\$759,728</u>	<u>\$759,728</u>

The classification of cash and cash equivalents and investments 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".

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

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

A reconciliation between the classifications of pooled cash and cash equivalents and investments 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:

2003

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,260,026	\$ -
Investments of the cash management pool:		
STAR Ohio	(162,084)	162,084
Repurchase agreement	(389,889)	389,889
Cash with fiscal agent	(5,663)	-
Cash on hand	<u>(400)</u>	<u>-</u>
 GASB Statement No. 3	 <u>\$ 701,990</u>	 <u>\$551,973</u>

2002

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,679,785	\$ -
Investments of the cash management pool:		
STAR Ohio	(398,495)	398,495
Repurchase agreement	(361,233)	361,233
Cash with fiscal agent	(48,825)	-
Cash on hand	<u>(450)</u>	<u>-</u>
 GASB Statement No. 3	 <u>\$ 870,782</u>	 <u>\$759,728</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$355,000
<u>Capital Projects Fund</u>		
Permanent Improvement	350,000	-
<u>Enterprise Fund</u>		
Special Enterprises	<u>5,000</u>	<u>-</u>
Total	<u>\$355,000</u>	<u>\$355,000</u>

The District had no operating transfers during fiscal year 2002. All transfers for fiscal year 2003 were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 November 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%.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 6 - PROPERTY TAXES - (Continued)

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 and 2001, respectively, taxes were collected was \$61,073,640 and \$54,451,380, respectively. Agricultural/residential and public utility/minerals real estate represented 74.43% and 73.02%, respectively, or \$45,455,150 and \$39,760,000, respectively, of this total; commercial & industrial real estate represented 1.93% and 2.14%, respectively, or \$1,178,010 and \$1,165,170, respectively, of this total, public utility tangible represented 20.45% and 23.47%, respectively, or \$12,491,590 and \$12,780,150, respectively, of this total and general tangible property represented 3.19% and 1.37%, respectively, or \$1,948,890 and \$746,060, respectively, of this total. The voted general tax rate at the fiscal year ended June 30, 2003 and 2002 was \$42.60 and \$42.70, respectively, 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 District receives property taxes from Richland and Ashland Counties. The respective County Treasurers collect property taxes on behalf of the District. The respective County Auditors periodically remit 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.

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 and 2002, respectively. 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. The amount available as an advance, and recorded as revenue, at June 30, 2003 and 2002, was \$63,303 and \$59,337, respectively, in the general fund.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003 and 2002, 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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 and 2002, consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year), respectively. 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 and the stable condition of state programs and the current year guarantee of federal funds.

A summary of receivables follows:

	<u>2003</u> <u>Amounts</u>	<u>2002</u> <u>Amounts</u>
<u>General Fund</u>		
Property Taxes - current and delinquent	\$ 2,145,019	\$1,960,941
Accounts	-	25
Accrued interest	6,029	11,576
<u>Special Revenue Funds</u>		
Accounts	4,012	250
Due from other governments	22,266	17,576
<u>Enterprise Funds</u>		
Due from other governments	-	2,884
Accounts	42	-
<u>Expendable Trust</u>		
Accounts	107	-

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year ended June 30, 2003 follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
Land/improvements	\$ 48,875	\$ 28,168	\$ -	\$ 77,043
Buildings/improvements	3,020,921	100,965	-	3,121,886
Furniture/equipment	817,749	-	-	817,749
Vehicles	<u>690,968</u>	<u>-</u>	<u>-</u>	<u>690,968</u>
Total	<u>\$4,578,513</u>	<u>\$129,133</u>	<u>\$ -</u>	<u>\$4,707,646</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in the general fixed assets account group during the fiscal year ended June 30, 2002 follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 48,875	\$ -	\$ -	\$ 48,875
Buildings/improvements	3,018,889	2,032	-	3,020,921
Furniture/equipment	790,012	29,836	(2,099)	817,749
Vehicles	<u>573,078</u>	<u>117,890</u>	<u>-</u>	<u>690,968</u>
Total	<u>\$4,430,854</u>	<u>\$149,758</u>	<u>\$(2,099)</u>	<u>\$4,578,513</u>

There was no significant construction in progress at June 30, 2003 and 2002.

A summary of the proprietary fixed assets at June 30, 2003 and 2002, follows:

	<u>2003</u>	<u>2002</u>
Furniture and equipment	\$ 89,711	\$ 84,664
Less: accumulated depreciation	<u>(71,774)</u>	<u>(69,208)</u>
Net fixed assets	<u>\$ 17,937</u>	<u>\$ 15,456</u>

NOTE 9 - LONG-TERM OBLIGATIONS

During fiscal year 1998, the District issued a \$53,785 energy conservation note to provide for energy improvements to various District buildings. The primary source of repayment of this note is through energy savings as a result of the improvements. This note bears an interest rate of 4.75% and was to mature on September 1, 2007. The District elected to retire this note prior to its scheduled maturity date during fiscal year 2003.

Payments of principal and interest relating to this liability is recorded as an expenditure in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group at June 30, 2002.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a description of the District's general obligation bond and energy conservation note as of June 30, 2003 and 2002:

2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2002</u>	<u>Retired in 2003</u>	<u>Outstanding June 30, 2003</u>
Energy conservation note payable	4.75%	09/01/07	\$32,269	\$(32,269)	\$ -
			<u>\$32,269</u>	<u>\$(32,269)</u>	<u>\$ -</u>

2002

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2001</u>	<u>Retired in 2002</u>	<u>Outstanding June 30, 2002</u>
General obligation bond payable	5.50%	12/01/01	\$ 70,000	\$(70,000)	\$ -
Energy conservation note payable	4.75%	09/01/07	<u>37,648</u>	<u>(5,379)</u>	<u>32,269</u>
			<u>\$107,648</u>	<u>\$(75,379)</u>	<u>\$32,269</u>

B. During the years ended June 30, 2003 and 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will be paid from the fund in which the employee is paid. The general obligation bond and energy conservation note was paid from the debt service fund.

2003

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$132,201	\$30,244	\$ -	\$162,445
Pension obligation payable	52,981	59,540	(52,981)	59,540
Energy conservation note	<u>32,269</u>	<u>-</u>	<u>(32,269)</u>	<u>-</u>
Total	<u>\$217,451</u>	<u>\$89,784</u>	<u>\$(85,250)</u>	<u>\$221,985</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

2002

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Compensated absences	\$146,962	\$ -	\$ (14,761)	\$132,201
Pension obligation payable	47,923	52,981	(47,923)	52,981
General obligation bond	70,000	-	(70,000)	-
Energy conservation note	<u>37,648</u>	<u>-</u>	<u>(5,379)</u>	<u>32,269</u>
Total	<u>\$302,533</u>	<u>\$52,981</u>	<u>\$(138,063)</u>	<u>\$217,451</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 and 2002 are a voted debt margin of \$5,607,016 and \$5,044,297, respectively, (including available funds of \$110,388 and \$143,673, respectively) and an unvoted debt margin of \$61,074 and \$54,451.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 5 to 20 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can carry over up to 10 days at the end of his contract, and the Treasurer who can carry over up to 5 days at the end of her contract. Teachers do not earn vacation time.

Administrators, teachers, and classified employees earn sick leave at a rate of 1 and 1/4 days per month. Sick leave may be accumulated up to 220 days. Upon retirement, payment is made to employees with 10 or more years of service at the District for 25% of the total sick leave accumulation with a maximum of 40 days payment.

**LUCAS LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 10 - COMPENSATED ABSENCES - (Continued)

During fiscal year 1999, the District adopted a one-time exit bonus for all part-time employees with a minimum of 10 consecutive years of experience with the District. Part-time employees who elect this exit bonus must retire with the STRS or SERS. This exit bonus applies only to part-time employees who have not previously retired from STRS or SERS. Upon retirement, the exit bonus will be calculated on a formula of 25% of the first 120 days of accrued sick leave. The exit bonus is calculated using the scheduled daily rate of pay at the time of retirement. For those part-time who have accrued sick leave beyond 120 days, the following additional formula will apply:

<u>Accumulated sick leave</u>	<u>Exit bonus shall be increased by:</u>	<u>Total exit bonus days</u>
130 - 139 days	1 additional day	31
140 - 149 days	2 additional days	32
150 - 159 days	3 additional days	33
160 - 169 days	4 additional days	34
170 - 179 days	5 additional days	35
180 - 189 days	6 additional days	36
190 - 199 days	7 additional days	37
200 - 209 days	8 additional days	38
210 - 219 days	9 additional days	39
> = 220 days	10 additional days	40

The maximum exit bonus days that any employee can earn is forty.

NOTE 11 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003 and 2002, the District retained property insurance coverage in the blanket amount of \$14,340,375 and \$13,990,856, respectively, with 90% coinsurance, replacement cost endorsement and a \$1,000 deductible. The District also has inland marine floaters in the amount of \$500,000 with a \$250 deductible for coverage of audio visual equipment, two-way radios, tractors, musical instruments and uniforms.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

Vehicles are covered by a policy through KMU-Utica Insurance Company, which provides for a \$250 deductible for comprehensive and a \$500 deductible for collision. Vehicle liability has a \$2,000,000 combined single limit of liability.

KMU-Utica Insurance Companies also provide general liability coverage with a \$1,000,000 single occurrence limit and an aggregate of \$5,000,000 with no deductible.

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of \$20,000. Also, an employee blanket dishonesty bond in the amount of \$100,000 is provided to cover all other employees of the District.

C. Workers' Compensation

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

**LUCAS LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 11 - RISK MANAGEMENT - (Continued)

D. Employee Group Life, Medical, Dental, and Vision Insurance

For the period of July 1, 2001 through March 31, 2002, the District provided a comprehensive medical benefits package to the employees through a self-insurance program administered by Anthem Benefits Administrators Inc. Effective April 1, 2002, the District switched from Anthem Benefits Administrators Inc. to the OME-RESA Consortium. Medical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 49 school districts within the OME-RESA consortium, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$128,940 and \$117,965 reported in the internal service fund at June 30, 2003 and 2002, respectively, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past three fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$117,965	\$376,214	\$(365,239)	\$128,940
2002	\$37,665	\$345,512	\$(265,212)	\$117,965
2001	59,905	175,389	(197,629)	37,665

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies and special enterprises. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the fiscal years ended June 30, 2003 and 2002.

2003

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating revenues	\$131,762	\$15,324	\$ 8,650	\$155,736
Operating expenses before depreciation	175,860	18,514	13,450	207,824
Depreciation	2,566	-	-	2,566
Operating loss	(46,664)	(3,190)	(4,800)	(54,654)
Grants and subsidies	28,287	-	-	28,287
Net income/(loss)	2,662	(3,190)	200	(328)
Net working capital	46,228	11,587	4,074	61,889
Total assets	74,603	16,101	4,074	94,778
Total liabilities	19,211	4,514	-	23,725
Contributed capital	1,500	-	-	1,500
Total equity	55,392	11,587	4,074	71,053

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)

2002

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating revenues	\$137,688	\$19,157	\$1,399	\$158,244
Operating expenses before depreciation	146,151	17,972	360	164,483
Depreciation	2,658	-	-	2,658
Operating income/(loss)	(11,121)	1,185	1,039	(8,897)
Grants and subsidies	24,608	-	-	24,608
Net income	23,924	1,185	1,039	26,148
Net working capital	40,628	14,777	3,874	59,279
Total assets	57,717	15,296	3,874	76,887
Total liabilities	4,987	519	-	5,506
Contributed capital	1,500	-	-	1,500
Total equity	52,730	14,777	3,874	71,381
Encumbrances at 06/30/02	-	242	-	242

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, 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 14% for 2003 and 2002; 8.17% and 5.46%, respectively, was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. 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 \$114,514, \$102,599, \$93,301, respectively; 43.25% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$64,984 represents the unpaid contribution for fiscal year 2003 and is recorded as a liability within the respective funds and the general long-term obligations account group.

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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 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 \$278,044, \$261,927, and \$245,765, respectively; 81.81% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$50,568 represents the unpaid contribution for fiscal year 2003.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003 and 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$ 19,860 and \$84,191 for the fiscal years ended June 30, 2003 and 2002, respectively.

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.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

For the fiscal years ended June 30, 2003 and 2002, employer contributions to fund health care benefits were 5.83 and 8.54 percent, respectively, of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003 and 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent 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 percent 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 \$62,412 and \$81,342 for the fiscal years ended June 30, 2003 and 2002, respectively.

NOTE 15 - 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 (Non-GAAP Budgetary Basis) - 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);

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(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).

The adjustments necessary to convert the results of operations for the years ended June 30, 2003 and 2002 on the budget basis to the GAAP basis for the governmental funds are as follows:

2003

**Excess (Deficiency) 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	\$(715,587)	\$(61,648)	\$(33,285)	\$354,292
Net adjustment for revenue accruals	6,807	4,555	-	-
Net adjustment for expenditure accruals	(44,373)	(13,355)	-	1,022
Net adjustment for other financing sources (uses)	(1,919)	501	-	-
Encumbrances (budget basis)	<u>14,293</u>	<u>2,873</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$(740,779)</u>	<u>\$(67,074)</u>	<u>\$(33,285)</u>	<u>\$355,314</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

2002

**Excess (Deficiency) 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	\$(250,928)	\$ (1,683)	\$103,067	\$(15,444)
Net adjustment for revenue accruals	(23,661)	5,704	(1,927)	-
Net adjustment for expenditure accruals	(54,029)	6,696	-	958
Net adjustment for other financing sources (uses)	(22,467)	95	-	-
Encumbrances (budget basis)	<u>72,381</u>	<u>15,942</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$(278,704)</u>	<u>\$26,754</u>	<u>\$101,140</u>	<u>\$(14,486)</u>

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 and 2002.

B. Litigation

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

C. State School Funding Decision

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

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

NOTE 17 - GROUP PURCHASING POOL

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program; custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

NOTE 18 - 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 years ended June 30, 2003 and 2002, the reserve activity was as follows:

2003

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside carry-forward as of June 30, 2002	\$ (35,883)	\$ -
Current year set-aside requirement	81,062	81,062
Qualifying disbursements	(124,799)	(177,844)
Qualifying off-set	<u>-</u>	<u>(350,000)</u>
Total	<u>\$ (79,620)</u>	<u>\$(446,782)</u>
Cash balance carried forward to FY 2004	<u>\$ (79,620)</u>	<u>\$ -</u>

2002

	<u>Textbooks and Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside carry forward as of June 30, 2001(restated)	\$(24,088)	\$ -
Current year set-aside requirement	74,128	74,128
Qualifying disbursements	<u>(85,923)</u>	<u>(229,729)</u>
Total	<u>\$(35,883)</u>	<u>\$(155,601)</u>
Cash balance carried forward to FY 2003	<u>\$(35,883)</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the years that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. However, such extra amounts may be used to reduce the set-aside amounts for future years for the textbook and instructional materials category, therefore, those negative amounts will be presented as being carried forward to the next fiscal year.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE 18 - STATUTORY RESERVES - (Continued)

In addition to the above statutory reserves, during fiscal 2003, the District also received monies restricted for school bus purchases. The amount of \$22,139 for school bus reserves is in the general fund on the Combined Balance Sheet at June 30, 2003.

NOTE 19 - SUBSEQUENT EVENT

On July 14, 2003, Barb Donahue was hired as the new Treasurer.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Lucas Local School District
84 Lucas North Road
Lucas, Ohio 44843

We have audited the general purpose financial statements of Lucas Local School District, Richland County, Ohio, as of and for the fiscal years ended June 30, 2003 and 2002, and have issued our report thereon dated December 15, 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 Lucas Local School District's general purpose 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 general purpose 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 three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-LLSD-001, 2003-LLSD-002, and 2003-LLSD-003. We also noted certain immaterial instances of noncompliance that we have reported to the management of Lucas Local School District in a separate letter dated December 15, 2003.

Board of Education
Lucas Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lucas Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 do not require inclusion in this report, that we have reported to the management of Lucas Local School District in a separate letter dated December 15, 2003.

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

Trimble, Julian & Grube, Inc.
December 15, 2003

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
JUNE 30, 2003 AND 2002**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-LLSD-001
----------------	---------------

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that during the years ended June 30, 2003 and 2002, the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2003</u>	
<u>Special Revenue Fund</u>	
Eisenhower Grant	\$1,420
 <u>Nonexpendable Trust Fund</u>	
Endowment Fund	1,050
 <u>2002</u>	
<u>Capital Projects Fund</u>	
SchoolNet	6,220

With appropriations exceeding estimated resources, the Lucas Local School District is appropriating monies that are not lawfully in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the Lucas Local School District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources. If it is determined that estimated resources will be greater than initially anticipated, the Lucas Local School District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
JUNE 30, 2003 AND 2002**

1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)

Finding Number	2003-LLSD-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted that during the year that the Lucas Local School District made numerous expenditures in which an invoice was dated after the purchase order by the Treasurer, thus causing those expenditures not to be certified in a timely manner.

Without timely certification, the Lucas Local School District increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Board and distributed at least annually may be beneficial. The Lucas Local School District should consider using "Then" and "Now" certificates where applicable.

**LUCAS LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
JUNE 30, 2003 AND 2002**

**1. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2003-LLSD-003
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

It was noted during the audit that the Lucas Local School District had expenditures exceeding appropriations in the following funds at June 30, 2003:

<u>Fund Type</u>	<u>Fund</u>	<u>Excess</u>
Special Revenue	Ohio Reads	\$ 112
Internal Service	Employee Benefit Self-Insurance	14,676

With expenditures exceeding appropriations, the Lucas Local School District is unlawfully expending monies that have not been appropriated.

We recommend that the Lucas Local School District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.



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LUCAS LOCAL SCHOOL DISTRICT

RICHLAND 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 22, 2004**