



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

Lordstown Local School District
Trumbull County

Financial Forecast
For the Fiscal Year Ending June 30, 2003

Local Government Services Division

Lordstown Local School District
Trumbull County

Table of Contents

Title	Page
Certification	2
Independent Accountant's Report	3
Schedule of Revenues, Expenditures and Changes in Fund Balance for the Fiscal Years Ended June 30, 2000 through 2002 Actual; Fiscal Year Ending June 30, 2003 Forecasted	4
Summary of Significant Forecast Assumptions and Accounting Policies	5



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Financial Planning and Supervision Commission
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

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

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the financial forecast of the general fund of the Lordstown Local School District, Trumbull County, Ohio. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating surplus for the fiscal year ending June 30, 2003 of \$153,000 after meeting the statutory cash reserves of \$50,000 for bus purchase allowance.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2004 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. The forecasted operating surplus could be enhanced to the extent tax advances are received prior to June 30, 2003 and to the extent the Board appropriates such advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2003.

Christine L. Hansen, CPA
Chief of Local Government Services

November 20, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

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

Independent Accountant's Report

We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Lordstown Local School District for the fiscal year ending June 30, 2003. The Lordstown Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

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

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

The historical financial statements for the years ended June 30, 2000 and 2001 were audited by the Auditor of State's Office and we rendered unqualified opinions on those financial statements in reports dated March 19, 2001 and December 20, 2001; however, the report for fiscal year 2001 included a going concern issue. We have not performed any auditing procedures since.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

September 20, 2002

LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 THROUGH 2002 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2003 FORECASTED
GENERAL FUND

	Fiscal Year 2000 Actual	Fiscal Year 2001 Actual	Fiscal Year 2002 Actual	Fiscal Year 2003 Forecasted
Revenues				
General Property Tax (Real Estate)	\$2,637,000	\$2,577,000	\$2,852,000	\$3,074,000
Tangible Personal Property Tax	1,466,000	1,589,000	1,187,000	1,667,000
Income Tax	0	368,000	481,000	0
Unrestricted Grants-in-Aid	2,051,000	1,163,000	1,545,000	583,000
Restricted Grants-in-Aid	14,000	14,000	14,000	13,000
Property Tax Allocation	241,000	248,000	280,000	306,000
All Other Revenues	1,402,000	1,696,000	1,562,000	918,000
<i>Total Revenues</i>	<u>7,811,000</u>	<u>7,655,000</u>	<u>7,921,000</u>	<u>6,561,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	0	800,000	0	0
Solvency Assistance Advance	0	1,357,000	0	0
Operating Transfers In	0	0	125,000	0
Advances In	47,000	86,000	66,000	14,000
<i>Total Other Financing Sources</i>	<u>47,000</u>	<u>2,243,000</u>	<u>191,000</u>	<u>14,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>7,858,000</u>	<u>9,898,000</u>	<u>8,112,000</u>	<u>6,575,000</u>
Expenditures				
Personal Services	4,462,000	4,123,000	4,172,000	2,958,000
Employees' Retirement/Insurance Benefits	1,890,000	2,029,000	1,837,000	1,487,000
Purchased Services	770,000	965,000	958,000	830,000
Supplies and Materials	248,000	203,000	146,000	157,000
Capital Outlay	58,000	53,000	62,000	20,000
Debt Service:				
Principal-Notes	0	800,000	0	0
Principal-HB 264 Loans	0	112,000	113,000	114,000
Solvency Assistance Advance	0	0	679,000	678,000
Interest and Fiscal Charges	0	104,000	91,000	78,000
Other Objects	336,000	1,055,000	259,000	251,000
<i>Total Expenditures</i>	<u>7,764,000</u>	<u>9,444,000</u>	<u>8,317,000</u>	<u>6,573,000</u>
Other Financing Uses				
Operating Transfers Out	56,000	73,000	48,000	30,000
Advances Out	54,000	66,000	49,000	20,000
<i>Total Other Financing Uses</i>	<u>110,000</u>	<u>139,000</u>	<u>97,000</u>	<u>50,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>7,874,000</u>	<u>9,583,000</u>	<u>8,414,000</u>	<u>6,623,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(16,000)	315,000	(302,000)	(48,000)
Cash Balance July 1, 2002	304,000	288,000	603,000	301,000
Cash Balance June 30, 2003	288,000	603,000	301,000	253,000
Encumbrances and Reserves:				
Actual/Estimated Encumbrances June 30	25,000	153,000	65,000	50,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	19,000	80,000	17,000	0
Capital Improvements	0	0	10,000	0
Budget Reserve	38,000	38,000	0	0
Bus Purchase	20,000	30,000	40,000	50,000
Total Reservations of Fund Balance	<u>77,000</u>	<u>148,000</u>	<u>67,000</u>	<u>50,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$186,000</u>	<u>\$302,000</u>	<u>\$169,000</u>	<u>\$153,000</u>

See accompanying summary of significant forecast assumptions and accounting policies

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Lordstown Local School District Board of Education and the Financial Planning and Supervision Commission's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of September 20, 2002, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 2 - Nature of the Presentation

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

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the emergency levy, vocational compact, disadvantaged pupil impact aid (DPIA) and textbook subsidy funds, and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 2000, and 2001. These differences are as follows:

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$6,124,000	\$6,818,000	\$5,472,000
Vocational Compact	1,730,000	2,060,000	2,283,000
DPIA	4,000	4,000	4,000
Debt Service Activity Related to General Fund Supported Debt	0	1,016,000	353,000
Total Revenues and Other Sources per Forecast	<u>\$7,858,000</u>	<u>\$9,898,000</u>	<u>\$8,112,000</u>

(continued)

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$5,901,000	\$6,676,000	\$5,945,000
Vocational Compact	1,994,000	2,040,000	2,326,000
DPIA	4,000	4,000	4,000
Debt Service Activity Related to General Fund Supported Debt	0	1,016,000	204,000
Less Encumbrances	(25,000)	(153,000)	(65,000)
Total Expenditures and Other Uses per Forecast	<u>7,874,000</u>	<u>9,583,000</u>	<u>8,414,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	(16,000)	315,000	(302,000)
Cash Fund Balance at Beginning of Fiscal Year	<u>304,000</u>	<u>288,000</u>	<u>603,000</u>
Cash Fund Balance at End of Fiscal Year	288,000	603,000	301,000
Encumbrances at Fiscal Year End	(25,000)	(153,000)	(65,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$263,000</u>	<u>\$450,000</u>	<u>\$236,000</u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

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

B. - Fund Accounting

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

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

Governmental Funds

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

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

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

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

Proprietary Fund

Enterprise Funds - Enterprise funds 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 of providing goods and 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.

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) agency funds.

C. - Budgetary Process

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

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

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

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

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

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

Note 4 - General Operating Assumptions

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

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

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

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

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and /or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection. On November 6, 2001, the

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

School District passed a 6.25 mill, five-year emergency levy which was estimated to generate approximately \$776,000 annually.

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

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last Year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Inside Ten Mill Limitation	n/a	n/a	\$6.90
Continuing Operating	Prior to 1976	n/a	14.80
Continuing Operating	1991	n/a	9.50
Current Operating	2000	2006	6.85
Current Operating	2001	2006	6.25
Total Tax Rate			<u><u>\$44.30</u></u>

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amounts shown in the revenue section of the forecast schedule represents gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Trumbull County Auditor. Based upon these estimates, the School District anticipates receiving \$3,074,000 in real estate tax revenue, an increase of \$222,000 from the prior fiscal year. This increase is due to a full year of collection of the new five-year emergency operating levy passed in November, 2001. The increase from the new emergency levy is offset by a decrease in assessed valuations and tax refunds applied against current year collections.

The School District has assumed in the forecast that they will not be materially affected by Senate Bill 3, as amended by Senate Bill 287, with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). The Ohio Department of Taxation estimated for fiscal year 2003 a decline of approximately \$158,000 in property tax revenue. The School District will be reimbursed the full amount of the loss which is recorded under unrestricted grants-in-aid revenue.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Trumbull County Auditor. Based upon these estimates, the School District anticipates receiving \$1,667,000 in tangible personal property tax revenue, a \$480,000 increase from the previous fiscal year. This increase is due in part to the collection of the new five-year emergency operating levy and due to the fact that in fiscal year 2002, PPG Industries, a large corporation within the School District was given a large tax rebate. However, this same rebate is not anticipated to occur for fiscal year 2003.

B. - Income Tax

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

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

C. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes a basic aid guarantee, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, gifted aid, transportation, and vocational education.

In 2001, State law set the base cost per pupil at \$4,294 and increased the rate each year thereafter to \$4,490 for fiscal year 2002, and \$4,949 for fiscal year 2003. For fiscal year 2000, the rate was \$4,177.

The anticipated revenue for fiscal year 2003 is based on current estimates provided by the Ohio Department of Education. The amount reported on the most recent school foundation statement of settlement is \$425,000, which represents a \$962,000 decrease from the prior fiscal year. This decrease is primarily due the reduction in foundation monies due to the closing of the Career Center.

Beginning in tax year 2001, there were significant reductions in the valuation of certain types of public utility property. Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. To replace this money, new state consumption taxes have been enacted, a kilowatt-hour tax on electricity and a thousand cubic foot tax on natural gas. Money from these new taxes will be used to reimburse school districts for property tax revenue loss. Reimbursements are to be made twice a year in February and August. The School District is anticipating \$158,000 in public utility reimbursements in fiscal year 2003, which is based on information provided by the Ohio Department of Taxation.

D. - Restricted Grants-in-Aid

Restricted grants-in-aid consist of an anticipated bus purchase allowance of \$10,000 and a DPIA subsidy of \$3,000.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead). Property tax allocation revenue, based on information provided by the Trumbull County Auditor, is anticipated to be \$306,000, an increase of \$26,000 over the prior fiscal year. This increase is due to a full year collection of the new five-year emergency operating levy that was passed in November, 2001.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

F. - All Other Revenues

All other revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2002	Forecast Fiscal Year 2003	Variance Increase (Decrease)
Tuition	\$1,326,000	\$522,000	(\$804,000)
Interest on Investments	22,000	22,000	0
Payment in Lieu of Taxes	120,000	120,000	0
Rentals	38,000	35,000	(3,000)
Miscellaneous	24,000	184,000	160,000
Refund of Prior Year Expenditures	32,000	35,000	3,000
Totals	\$1,562,000	\$918,000	(\$644,000)

The forecasted revenue was based on the following:

- Tuition consisted of monies from school foundation and tuition charged to four other school districts which participated in the Lordstown Vocational Compact. Due to the closing of the Career Center, tuition is expected to decrease significantly.
- Investment earnings are expected to remain constant based on available cash for investment and the current interest rates.
- During fiscal year 1996, General Motors and the Lordstown Local School District agreed to a settlement which would ensure that Lordstown Local School District would receive at least forty percent of the personal property tax that would otherwise be authorized to levy on tangible personal property tax covered under certain programs. During fiscal year 2000, the Board of Education passed a resolution to have the General Motors monies placed in the general fund instead of the capital projects fund.
- Miscellaneous revenues consist of donations, transportation costs to events, book fines and other miscellaneous items. Miscellaneous also includes \$160,000 in lease payments from the Trumbull County Career and Technical Center for the use of the Career Center. The Career Center is now being used to provide adult education classes through the Trumbull County Career and Technical Center.
- Refund of Prior Year Expenditures is expected to remain fairly consistent due to the continuing efforts of the School District coding its entries in a more exact manner.

G. – Other Financing Sources

Transfers In – Transfers in represents amounts received from other funds in the forecast year. During fiscal year 2002, the \$125,000 represents monies from an agency fund set up to hold retirement and workers' compensation payments until due to the respective agencies.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

Advances In - Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund is expected to receive \$14,000.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified, classified and administrative staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis.

During fiscal year 2001, personal services costs decreased due to the School District having a reduction in force that was offset slightly by step increases. During fiscal year 2002, personal services costs increased marginally because of a three percent increase being offset by a reduction in staff of 4.5 classified employees.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of August 1, 2000 to July 31, 2003, and allows for a three percent increase in September, 2002 and an additional one and a half percent increase in January, 2003. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period September 1, 2000 to August 31, 2003, and allows for a three percent increase in September, 2002 and an additional one and a half percent increase in January, 2003. Although salaries increased, the increase is offset by a reduction in staff of twenty-five certified and four classified employees due to the closing of the Career Center. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its certified employees with five years of service. Payment is thirty percent of their unused sick leave up to a maximum of thirty days. Certified employees with ten to nineteen years of service, receive an additional one-seventh of their unused sick balance up to twenty-eight days, for a total maximum of fifty-eight severance days. Certified employees with twenty or more years of service receive an additional one-seventh of their unused sick balance up to forty days, for a total maximum of seventy severance days.

Classified employees with five years of service receive a payment of thirty percent of their unused sick leave up to a maximum of thirty days. Classified employees with ten to nineteen years of service, receive an additional one-seventh of severance days of their unused sick leave balance up to twenty-five days, for a total maximum of fifty-five severance days. Classified employees with greater than twenty years of service receive an additional one-seventh of their unused sick leave balance up to thirty-five days, for a total maximum of sixty-five severance days. Severance costs are anticipated to increase due to more people retiring during fiscal year 2003. The twenty-nine employees who lost their jobs due to the closing of the Career Center were not eligible for severance pay from the School District because by contract, only those employees retiring with service credit are eligible. There is no severance due an employee if a building closes.

Presented below is a comparison of salaries and wages for the fiscal year 2002 and the forecast period.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

	Actual Fiscal Year 2002	Forecast Fiscal Year 2003	Variance Increase (Decrease)
Certified Salaries	\$3,232,000	\$2,186,000	(\$1,046,000)
Classified Salaries	616,000	459,000	(157,000)
Substitute Salaries	137,000	101,000	(36,000)
Supplemental Contracts	132,000	112,000	(20,000)
Severance Pay	11,000	52,000	41,000
Other Salaries and Wages	44,000	48,000	4,000
Totals	<u>\$4,172,000</u>	<u>\$2,958,000</u>	<u>(\$1,214,000)</u>

B. - Employees' Retirement/Insurance Benefits

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

Retirement costs are based on the employers' contribution rate of fourteen percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year. The School District also pays the employees' contribution for their administrators. Retirement costs are forecasted to decrease primarily due to a reduction in staff of twenty-five certified and four classified employees.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program and the monthly premiums. The School District participates in a traditional health plan and pays 100 percent of the premiums. The School District is anticipating no rate change and/or change in coverage. Health care costs are forecasted to decrease for fiscal year 2003 due to the large reduction in staff.

Life insurance premiums are based on the coverage amount, the anticipated number of employees participating in the program and the monthly premiums. Due to the reduction in staff, life insurance premiums are forecasted to decrease.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year and medicare benefits are based on the employer's rate of 1.45 percent and the payroll costs for contributing staff. Both areas are forecasted to decrease during fiscal year 2003, again, due to the reduction in force.

Unemployment benefits are anticipated to increase during fiscal year 2003 due to the loss of jobs due to the closing of the Career Center.

The School District offered a three-year Early Retirement Incentive Plan (ERIP) for its certified employees for calendar years 1998, 1999 and 2000, the term of its last contract. In the first year, the plan was available to the greater of nine individuals or five percent of all eligible certified staff. In the second and third years, the plan was available to the greater of six individuals or five percent of all eligible staff. The ERIP was in effect for the duration of the last contract. ERIP benefits are forecasted at \$94,000 for

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

fiscal year 2003, a \$22,000 decrease from fiscal year 2002. Fiscal year 2003 amounts are based on actual payments to the retirement system.

Presented below is a comparison of fiscal year 2002 and the forecast period:

	Fiscal Year 2002	Fiscal Year 2003	Increase (Decrease)
Employer's Retirement	\$620,000	\$486,000	(\$134,000)
Health Care/Life Insurance	989,000	786,000	(203,000)
Workers' Compensation	42,000	23,000	(19,000)
Medicare	36,000	29,000	(7,000)
Unemployment	16,000	60,000	44,000
Tuition Reimbursement	18,000	9,000	(9,000)
Early Retirement Incentive	116,000	94,000	(22,000)
Totals	<u>\$1,837,000</u>	<u>\$1,487,000</u>	<u>(\$350,000)</u>

C. - Purchased Services

Purchased service expenditures forecasted in the amount of \$830,000 are comprised of the following:

	Actual Fiscal Year 2002	Forecast Fiscal Year 2003	Variance Increase (Decrease)
Professional and Technical Services	\$109,000	\$118,000	\$9,000
Property Services	101,000	82,000	(19,000)
Travel and Meeting Expenses	7,000	7,000	0
Communication Costs	42,000	42,000	0
Utility Services	417,000	420,000	3,000
Trade Services	7,000	7,000	0
Tuition Payments	222,000	100,000	(122,000)
Pupil Transportation	53,000	54,000	1,000
Totals	<u>\$958,000</u>	<u>\$830,000</u>	<u>(\$128,000)</u>

The School District is anticipating a \$128,000 decrease in purchased services for fiscal year 2003. This decrease is due primarily to a decrease in tuition payments to the Career Center. Also, property services are down due to a proposed change in copy machine companies which can provide the same service for a significantly lower price.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2002	Forecast Fiscal Year 2003	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$89,000	\$102,000	\$13,000
Operations, Maintenance and Repair	57,000	53,000	(4,000)
Textbooks	0	2,000	2,000
Totals	<u>\$146,000</u>	<u>\$157,000</u>	<u>\$11,000</u>

The School District is forecasting a \$11,000 increase in materials and supplies due to additional supplies and textbooks needed for the forecast period.

E. - Capital Outlay

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

Capital outlay expenditures are forecasted in the amount of \$20,000 which includes \$19,000 for new capital outlay and \$1,000 of replacement capital outlay. The School District has spent very little in capital outlay due to the financial condition of the School District.

F. - Debt Service

General fund supported debt consists of a Solvency Assistance advance and two House Bill 264 loans. The forecasted changes in the general fund obligations are as follows:

	Interest Rate	Balance 6/30/2002	Issued	Retired	Balance 6/30/2003
Solvency Assistance Advance 2001	0.00%	\$678,000	\$0	\$678,000	\$0
House Bill 264 Loan FY 2000	5.99%	430,000	0	22,000	408,000
House Bill 264 Loan FY 2000	4.69%	1,283,000	0	92,000	1,191,000
Total		<u>\$2,391,000</u>	<u>\$0</u>	<u>\$792,000</u>	<u>\$1,599,000</u>

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

G. - Other Objects

Other objects are comprised of the following:

	Actual	Forecast	Variance
	Fiscal Year	Fiscal Year	Increase
	2002	2003	(Decrease)
Dues and Fees	\$249,000	\$244,000	(\$5,000)
Insurance	9,000	6,000	(3,000)
Taxes and Assessments	1,000	1,000	0
Totals	<u>\$259,000</u>	<u>\$251,000</u>	<u>(\$8,000)</u>

H. - Operating Transfers and Advances Out

The School District expects to make a transfer from the general fund in the amount of \$30,000 during fiscal year 2003 for its food service and uniform school supplies operations. The advance out during fiscal year 2003 represents minimal advances anticipated to be paid to other funds.

Note 7 - Encumbrances

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

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2002 were \$65,000 and are forecasted at \$50,000 for June 30, 2003.

Note 8 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials

The set aside requirement for fiscal year 2003 is \$55,000. There was a carryover of \$17,000 from fiscal year 2002. The School District anticipates \$103,000 in qualifying expenditures in fiscal year 2003, leaving no reserve balance.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

B. - Capital Acquisition and Improvements

The set aside amount for fiscal year 2003 is \$55,000. There was a carryover of \$10,000 from fiscal year 2002. The School District will have \$198,000 in offsets and \$20,000 in qualifying disbursements during the current fiscal year; therefore, no reserve for capital acquisition and improvements is forecasted.

C. - Budget Reserve

Effective April 10, 2001, Amended Senate Bill 345, deleted from law the requirement for school districts to establish and appropriate money for budget stabilization. The monies on hand in the School District's budget reserve may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation refund monies remaining in the budget reserve set aside including the offset of a budget deficit. The School District returned the balance in the budget reserve to the general fund during fiscal year 2002.

D. - Bus Purchases

At June 30, 2002 the School District had \$40,000 in unspent bus monies. In addition, the School District received \$10,000 in bus purchase allowance during fiscal year 2003. The School District does not anticipate purchasing any school buses during the forecast year. Therefore, a balance of \$50,000 is reserved.

E. - Disadvantaged Pupil Impact Aid (DPIA)

The School District anticipates receiving \$3,000 in restricted DPIA monies during fiscal year 2003. The School District also anticipates spending the entire amount. Therefore, there is no reserve included for DPIA.

Note 9 - Termination of Vocational Compact

The Vocational Compact, located in the Gordon D. James Career Center, was established to provide vocational programs for students among Howland, Lordstown, McDonald, Niles and Weathersfield school districts. The Boards of the participating school districts entered into a five-year agreement which expired June 30, 2002. The School District elected to terminate its participation in the Compact and the operation of the Vocational Compact ceased. The termination caused several employees to lose their jobs during fiscal year 2003 thereby decreasing salaries and benefits for the forecast period. As a result of the Vocational Compact closing, the School District's vocational education students now attend the Trumbull Career and Technical Center. The Board of the Lordstown Local School District and the Governing Board of the Trumbull Career and Technical Center signed a four year lease for the use of the Gordon D. James Career Center for the period July 1, 2002 through June 30, 2006. The lease states that the Trumbull Career and Technical Center will have use of the Gordon D. James Career Center for a fee approximating \$160,000 annually.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

Note 10 - Levies

The School District passed a levy on November 6, 2001. No other levies are expected to be placed on the ballot during the remainder of fiscal year 2003. In the past ten years, the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
February, 1991	Operating	9.5 mills	Continuing	Passed
November, 1991	Emergency Renewal	6.53 mills	5 Years	Passed
November, 1996	Emergency Renewal	7.112 mills	5 Years	Passed
November, 2000	Emergency Renewal	6.85 mills	5 Years	Passed
November, 2000	Shared Income Tax	30 Percent of Income Tax	1 Year	Passed
May, 2001	New Emergency	10 mills	5 Years	Failed
November, 2001	New Emergency	6.25 mills	5 Years	Passed

Note 11 - Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

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

Lordstown Local School District

Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2003

This page intentionally left blank



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

LORDSTOWN LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2002**