



Mary Taylor, CPA
Auditor of State

**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lordstown Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lordstown Local School District, Trumbull County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

March 26, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Lordstown Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$225,100 which represents a 4.61% decrease from 2007.
- General revenues accounted for \$6,599,559 in revenue or 91.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$598,596 or 8.32% of total revenues of \$7,198,155.
- The District had \$7,423,255 in expenses related to governmental activities; \$598,596 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,599,559 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$7,264,114 in revenues and \$6,604,825 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$659,289 from a balance of \$1,399,533 to \$2,058,822.
- The District's other major governmental funds is the permanent improvement fund. The permanent improvement fund had \$2,050,000 in other financing sources and \$22,151 in expenditures. During fiscal year 2008, the permanent improvement fund's fund balance increased \$2,027,849 from a balance of \$26,185 to \$2,054,034.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current and other assets	\$ 11,185,260	\$ 8,552,703
Capital assets, net	<u>3,807,747</u>	<u>3,980,855</u>
Total assets	<u>14,993,007</u>	<u>12,533,558</u>
<u>Liabilities</u>		
Current liabilities	6,708,783	5,923,354
Long-term liabilities	<u>3,624,412</u>	<u>1,723,292</u>
Total liabilities	<u>10,333,195</u>	<u>7,646,646</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,702,630	2,693,324
Restricted	2,218,475	302,538
Unrestricted (deficit)	<u>(261,293)</u>	<u>1,889,050</u>
Total net assets	<u>\$ 4,659,812</u>	<u>\$ 4,884,912</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$4,659,812. Of this total, \$2,218,475 is restricted in use.

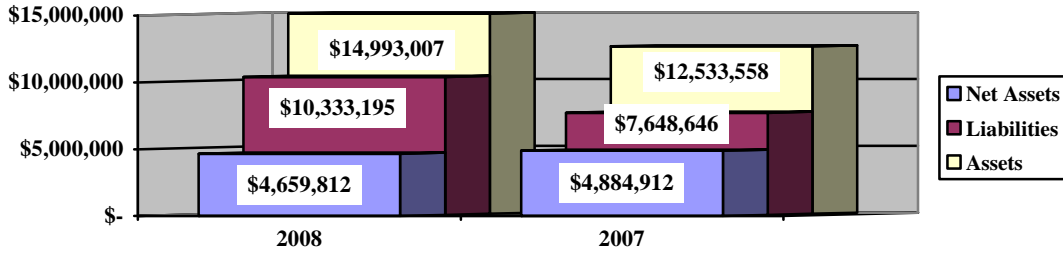
At year-end, capital assets represented 25.40% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,702,630. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,218,475 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$261,293.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 335,461	\$ 285,057
Operating grants and contributions	258,599	258,809
Capital grants and contributions	4,536	-
General revenues:		
Property taxes	3,704,169	4,834,092
Grants and entitlements	2,066,127	1,687,049
Investment earnings	90,304	80,188
Other	738,959	739,359
Total revenues	<u>7,198,155</u>	<u>7,884,554</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,085,437	\$ 3,035,399
Special	601,058	612,383
Vocational	123,301	121,956
Other	182,073	208,072
Support services:		
Pupil	165,132	158,140
Instructional staff	130,414	100,296
Board of education	148,022	129,056
Administration	504,386	494,147
Fiscal	325,295	398,652
Business	953	124,591
Operations and maintenance	1,068,068	1,134,700
Pupil transportation	304,844	256,455
Food service operations	216,076	210,459
Compact operations	242,951	219,047
Operations of non-instructional services	1,322	23,775
Extracurricular activities	251,876	212,134
Interest and fiscal charges	<u>72,047</u>	<u>68,763</u>
Total expenses	<u>7,423,255</u>	<u>7,508,025</u>
Change in net assets	(225,100)	376,529
Net assets at beginning of year	<u>4,884,912</u>	<u>4,508,383</u>
Net assets at end of year	<u>\$ 4,659,812</u>	<u>\$ 4,884,912</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$225,100. Total governmental expenses of \$7,423,255 were offset by program revenues of \$598,596 and general revenues of \$6,599,559. Program revenues supported 8.06% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.16% of total governmental revenue.

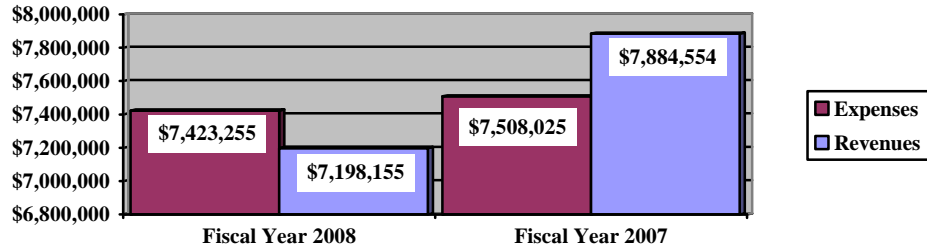
The largest expense of the District is for instructional programs. Instruction expenses totaled \$3,991,869 or 53.78% of total governmental expenses for fiscal 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 3,085,437	\$ 3,034,484	\$ 3,035,399	\$ 2,960,829
Special	601,058	427,662	612,383	443,055
Vocational	123,301	123,301	121,956	121,956
Other	182,073	182,073	208,072	208,072
Support services:				
Pupil	165,132	163,062	158,140	155,840
Instructional staff	130,414	130,414	100,296	100,296
Board of education	148,022	148,022	129,056	129,056
Administration	504,386	499,386	494,147	490,986
Fiscal	325,295	325,295	398,652	396,813
Business	953	953	124,591	124,591
Operations and maintenance	1,068,068	1,021,506	1,134,700	1,134,700
Pupil transportation	304,844	303,096	256,455	256,455
Food service operations	216,076	54,278	210,459	59,174
Compact operations	242,951	111,241	219,047	99,797
Operations of non-instructional services	1,322	1,322	23,775	18,606
Extracurricular activities	251,876	226,517	212,134	195,170
Interest and fiscal charges	72,047	72,047	68,763	68,763
Total expenses	<u>\$ 7,423,255</u>	<u>\$ 6,824,659</u>	<u>\$ 7,508,025</u>	<u>\$ 6,964,159</u>

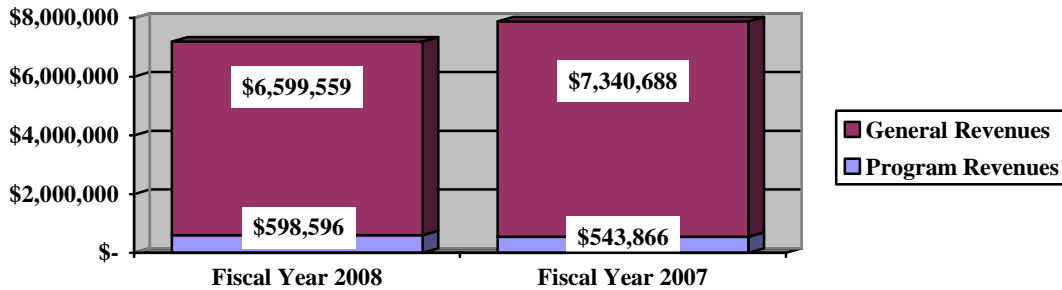
**LORDSTOWN LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The dependence upon tax and other general revenues for governmental activities is apparent, 94.38% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.94%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$4,249,678, which is higher than last year's total of \$1,636,135. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 2,058,822	\$ 1,399,533	\$ 659,289	47.11 %
Permanent Improvement	2,054,034	26,185	2,027,849	7,744.32 %
Other Governmental	136,822	210,417	(73,595)	(34.98) %
Total	\$ 4,249,678	\$ 1,636,135	\$ 2,613,543	159.74 %

General Fund

The District's general fund's fund balance increased \$659,289. The increase in the fund balance can be primarily attributed to decreasing revenue still being more than decreased expenditures. Revenues exceed expenditures for fiscal year 2008 by \$814,289.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,348,483	\$ 5,467,242	\$ (1,118,759)	(20.46) %
Tuition	14,036	26,876	(12,840)	(47.77) %
Earnings on investments	90,304	80,188	10,116	12.62 %
Intergovernmental	2,067,875	1,687,049	380,826	22.57 %
Other revenues	<u>743,416</u>	<u>703,257</u>	<u>40,159</u>	5.71 %
Total	<u>\$ 7,264,114</u>	<u>\$ 7,964,612</u>	<u>\$ (700,498)</u>	(8.80) %
<u>Expenditures</u>				
Instruction	\$ 3,548,670	\$ 3,474,240	\$ 74,430	2.14 %
Support services	2,652,101	2,930,208	(278,107)	(9.49) %
Extracurricular activities	179,747	163,475	16,272	9.95 %
Capital outlay	-	177,144	(177,144)	(100.00) %
Debt service	<u>69,307</u>	<u>69,306</u>	<u>1</u>	0.00 %
Total	<u>\$ 6,449,825</u>	<u>\$ 6,814,373</u>	<u>\$ (364,548)</u>	(5.35) %

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,522,600 and final budgeted revenues and other financing sources were \$7,255,322. Actual revenues and other financing sources for fiscal 2008 was \$7,255,322.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,650,131 were increased to \$6,768,627 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$6,768,399. This was \$228 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$3,807,747 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 543,600	\$ 543,600
Land improvements	178,074	147,429
Building and improvements	2,891,114	3,065,918
Furniture and equipment	35,890	39,332
Vehicles	159,069	184,576
Total	\$ 3,807,747	\$ 3,980,855

The overall decrease in capital assets of \$173,108 is due to depreciation expense of \$246,526 exceeding capital outlays of \$73,418 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2008, the District had \$3,055,117 in energy conservation notes and lease purchase agreements outstanding. Of this total, \$421,938 is due within one year and \$2,633,179 is due within greater than one year. The following table summarizes the notes and lease purchase agreements outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2008	2007
Energy conservation notes	\$ 899,032	\$ 1,019,693
Lease purchase agreements	2,156,085	137,838
Total	\$ 3,055,117	\$ 1,157,531

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Current Financial Related Activities

Overall, the District is financially strong. The District relies heavily upon local revenue and property taxes. An increase in tax revenue was expected in fiscal year 2005 due to the increase in the District valuation and triennial update for the county.

The finances are stable for fiscal years 2006 and 2007. The District was successful in renewing two emergency levies in November of 2005. This should help stabilize the financial outlook for future years. However, with the passage of HB 66, and the elimination of personal property some future revenue sources will be eliminated. The State has promised to hold districts harmless for the next five years, but after that the impact is not fully known at this time.

The challenge for the District's management is to continue to provide the resources necessary to meet student needs and be able to stay within the five-year forecast. The five-year forecast is utilized by management in order to effectively and efficiently manage the District's resources to their fullest.

Since the District relies on local revenue for approximately 93% of the general operating revenues, one of the largest challenges facing the District is that of additional funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. 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...". At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

The District's systems of budgeting and internal controls are well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Mark Ferrara, Treasurer, Lordstown Local School District, 1824 Salt Springs Road, Warren, Ohio 44481.

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 4,957,624
Receivables:	
Taxes	6,191,548
Accounts	13,271
Intergovernmental	22,817
Capital assets:	
Land	543,600
Depreciable capital assets, net	3,264,147
Capital assets, net.	3,807,747
 Total assets.	 14,993,007
Liabilities:	
Accounts payable.	68,997
Accrued wages and benefits	483,403
Pension obligation payable	124,420
Intergovernmental payable	41,718
Unearned revenue.	5,928,487
Accrued interest payable	55,185
Claims payable	6,573
Long-term liabilities:	
Due within one year.	544,173
Due within more than one year	3,080,239
 Total liabilities	 10,333,195
Net Assets:	
Invested in capital assets, net of related debt.	2,702,630
Restricted for:	
Capital projects	2,061,001
Debt service.	50,091
State funded programs.	4,981
Federally funded programs	8,211
Student activities	13,897
Other purposes	80,294
Unrestricted (deficit)	(261,293)
 Total net assets	 \$ 4,659,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 3,085,437	\$ 23,979	\$ 26,974	\$ -	\$ (3,034,484)
Special	601,058	-	173,396	-	(427,662)
Vocational	123,301	-	-	-	(123,301)
Other	182,073	-	-	-	(182,073)
Support services:					
Pupil.	165,132	-	2,070	-	(163,062)
Instructional staff	130,414	-	-	-	(130,414)
Board of education	148,022	-	-	-	(148,022)
Administration	504,386	-	5,000	-	(499,386)
Fiscal.	325,295	-	-	-	(325,295)
Business.	953	-	-	-	(953)
Operations and maintenance	1,068,068	43,774	-	2,788	(1,021,506)
Pupil transportation.	304,844	-	-	1,748	(303,096)
Operation of non-instructional services:					
Food service operations.	216,076	116,092	45,706	-	(54,278)
Compact operations.	242,951	131,710	-	-	(111,241)
Other non-instructional services	1,322	-	-	-	(1,322)
Extracurricular activities.	251,876	19,906	5,453	-	(226,517)
Interest and fiscal charges	72,047	-	-	-	(72,047)
Total governmental activities	\$ 7,423,255	\$ 335,461	\$ 258,599	\$ 4,536	(6,824,659)
General Revenues:					
Property taxes levied for:					
General purposes					3,586,642
Debt service.					117,527
Grants and entitlements not restricted to specific programs.					
Investment earnings					2,066,127
Miscellaneous					90,304
					738,959
Total general revenues.					6,599,559
Change in net assets					(225,100)
Net assets at beginning of year					4,884,912
Net assets at end of year					\$ 4,659,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 2,631,116	\$ 2,054,034	\$ 192,180	\$ 4,877,330
Receivables:				
Taxes.	6,012,277	-	179,271	6,191,548
Accounts	11,666	-	1,605	13,271
Intergovernmental	-	-	22,817	22,817
Loans to other funds	2,221	-	-	2,221
Due from other funds	1,815	-	-	1,815
Restricted assets:				
Equity in pooled cash and cash equivalents	80,294	-	-	80,294
Total assets	<u>\$ 8,739,389</u>	<u>\$ 2,054,034</u>	<u>\$ 395,873</u>	<u>\$ 11,189,296</u>
Liabilities:				
Accounts payable	\$ 64,823	\$ -	\$ 4,174	\$ 68,997
Accrued wages and benefits	454,867	-	28,536	483,403
Compensated absences payable	-	-	24,934	24,934
Pension obligation payable.	111,928	-	12,492	124,420
Intergovernmental payable.	35,936	-	5,782	41,718
Loans from other funds	-	-	2,221	2,221
Due to other funds.	-	-	1,815	1,815
Claims payable.	6,573	-	-	6,573
Deferred revenue.	249,596	-	7,454	257,050
Unearned revenue	5,756,844	-	171,643	5,928,487
Total liabilities	<u>6,680,567</u>	<u>-</u>	<u>259,051</u>	<u>6,939,618</u>
Fund Balances:				
Reserved for encumbrances	177,578	-	29,408	206,986
Reserved for loans	2,221	-	-	2,221
Reserved for property tax unavailable for appropriation	5,837	-	174	6,011
Reserved for debt service.	-	-	91,700	91,700
Reserved for instructional materials	80,294	-	-	80,294
Unreserved, undesignated, reported in:				
General fund	1,792,892	-	-	1,792,892
Special revenue funds.	-	-	7,707	7,707
Capital projects funds.	-	2,054,034	7,833	2,061,867
Total fund balances	<u>2,058,822</u>	<u>2,054,034</u>	<u>136,822</u>	<u>4,249,678</u>
Total liabilities and fund balances	<u>\$ 8,739,389</u>	<u>\$ 2,054,034</u>	<u>\$ 395,873</u>	<u>\$ 11,189,296</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 4,249,678
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,807,747
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 257,050	
Total		257,050
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	444,361	
Energy conservation notes	899,032	
Lease purchase agreement payable	2,156,085	
Capital lease obligation payable	100,000	
Accrued interest payable	55,185	
Total		(3,654,663)
Net assets of governmental activities		\$ 4,659,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,348,483	\$ -	\$ 144,481	\$ 4,492,964
Tuition.	14,036	-	-	14,036
Earnings on investments.	90,304	-	-	90,304
Charges for services.	-	-	116,092	116,092
Extracurricular.	-	-	18,800	18,800
Classroom materials and fees	-	-	9,943	9,943
Other local revenues.	743,416	-	177,586	921,002
Intergovernmental - State.	2,067,875	-	27,082	2,094,957
Intergovernmental - Federal	-	-	237,379	237,379
Total revenue	<u>7,264,114</u>	<u>-</u>	<u>731,363</u>	<u>7,995,477</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,890,051	-	40,425	2,930,476
Special.	417,272	-	173,495	590,767
Vocational.	58,947	-	-	58,947
Other.	182,400	-	-	182,400
Support services:				
Pupil.	152,770	-	-	152,770
Instructional staff	125,793	-	4,489	130,282
Board of education	148,022	-	-	148,022
Administration.	501,934	-	2,934	504,868
Fiscal	316,697	-	-	316,697
Business	953	-	-	953
Operations and maintenance.	1,131,466	-	4,885	1,136,351
Pupil transportation	274,466	-	-	274,466
Operation of non-instructional services:				
Food service operations	-	-	213,285	213,285
Compact operations	-	-	273,224	273,224
Other non-instructional services	-	1,322	-	1,322
Extracurricular activities.	179,747	-	71,094	250,841
Facilities acquisition and construction	-	5,829	-	5,829
Debt service:				
Principal retirement	61,753	-	120,661	182,414
Interest and fiscal charges	7,554	15,000	55,466	78,020
Total expenditures	<u>6,449,825</u>	<u>22,151</u>	<u>959,958</u>	<u>7,431,934</u>
Excess of revenues over (under) expenditures	<u>814,289</u>	<u>(22,151)</u>	<u>(228,595)</u>	<u>563,543</u>
Other financing sources (uses):				
Transfers in.	-	-	155,000	155,000
Transfers (out)	(155,000)	-	-	(155,000)
Lease purchase agreement transaction	-	2,050,000	-	2,050,000
Total other financing sources (uses)	<u>(155,000)</u>	<u>2,050,000</u>	<u>155,000</u>	<u>2,050,000</u>
Net change in fund balances	659,289	2,027,849	(73,595)	2,613,543
Fund balances at beginning of year.	<u>1,399,533</u>	<u>26,185</u>	<u>210,417</u>	<u>1,636,135</u>
Fund balances at end of year	<u>\$ 2,058,822</u>	<u>\$ 2,054,034</u>	<u>\$ 136,822</u>	<u>\$ 4,249,678</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$	2,613,543
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$246,526) exceeds capital outlay (\$73,418) in the current period.		(173,108)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(797,322)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		182,414
Proceeds of lease purchase agreements are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(2,050,000)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		5,973
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(6,600)
Change in net assets of governmental activities	\$	(225,100)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 4,492,872	\$ 4,350,452	\$ 4,350,452	\$ -
Tuition.	14,495	14,036	14,036	-
Earnings on investments.	93,260	90,304	90,304	-
Other local revenues	698,354	676,217	676,217	-
Intergovernmental - State	2,135,570	2,067,875	2,067,875	-
Total revenue	<u>7,434,551</u>	<u>7,198,884</u>	<u>7,198,884</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,796,069	2,839,898	2,839,825	73
Special.	412,718	419,188	419,188	-
Vocational.	64,890	65,907	65,907	-
Other.	180,632	183,464	183,464	-
Support services:				
Pupil.	148,483	150,811	150,811	-
Instructional staff	127,476	129,474	129,319	155
Board of education	182,821	185,687	185,687	-
Administration.	494,057	501,802	501,802	-
Fiscal	313,868	318,788	318,788	-
Business	35,816	36,377	36,377	-
Operations and maintenance.	1,257,584	1,277,297	1,277,297	-
Pupil transportation	319,861	324,875	324,875	-
Extracurricular activities.	177,280	180,059	180,059	-
Total expenditures	<u>6,511,555</u>	<u>6,613,627</u>	<u>6,613,399</u>	<u>228</u>
Excess of revenues over (under) expenditures.	<u>922,996</u>	<u>585,257</u>	<u>585,485</u>	<u>228</u>
Other financing sources (uses):				
Transfers in.	29,763	-	-	-
Transfers (out)	(138,576)	(155,000)	(155,000)	-
Refund of prior year expenditure.	58,286	56,438	56,438	-
Total other financing sources (uses)	<u>(50,527)</u>	<u>(98,562)</u>	<u>(98,562)</u>	<u>-</u>
Net change in fund balance	872,469	486,695	486,923	228
Fund balance at beginning of year.	1,924,784	1,924,784	1,924,784	-
Prior year encumbrances appropriated	67,387	67,387	67,387	-
Fund balance at end of year	<u>\$ 2,864,640</u>	<u>\$ 2,478,866</u>	<u>\$ 2,479,094</u>	<u>\$ 228</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 5,242	\$ 20,600
Receivables:		
Accounts	-	173
Total assets.	5,242	\$ 20,773
Liabilities:		
Accounts payable.	-	\$ 124
Due to students	-	20,649
Total liabilities	-	\$ 20,773
Net Assets:		
Held in trust for scholarships	5,242	
Total net assets	\$ 5,242	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 996
Total additions.	996
Reductions:	
Scholarships awarded	1,438
Change in net assets	(442)
Net assets at beginning of year.	5,684
Net assets at end of year	\$ 5,242

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District provides regular, vocational and special instruction. The District also provides support services for pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The District is the 606th largest in the State of Ohio among the 896 public and community school districts in terms of enrollment. It currently operates 1 elementary school and 1 comprehensive middle and high school. The District is staffed by 45 certified and 17 classified personnel to provide services to approximately 563 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network

The North East Ohio Management Information Network (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

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

North East Ohio Instructional Media Center

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

North East Ohio Special Education Regional Resource Center

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

Permanent Improvement Fund - A capital projects fund used to account for all transactions related to the acquiring, constructing, or improving of authorized permanent improvements.

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

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. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. 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 budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2008.
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 comparison statements at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations 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 prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, the District had investments which included only U.S. Treasury obligations. All other monies of the cash management pool were maintained in depository accounts.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$90,304, which includes \$31,305 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2008, the District's capitalization threshold was \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”, and receivables and payables resulting from long-term interfund loans are reported as “loans to/from other funds”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service 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 June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, loans to other funds, property tax unavailable for appropriation, debt service, and instructional materials. The reserve for property tax unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish an instructional materials reserve. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 18.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 15) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Compact	\$ 5,361
Title I Disadvantaged Children	77
Title V Innovative Education Programs	2,235
Improving Teacher Quality	1,153
Miscellaneous Federal Grants	250

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. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify 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 that the Governing Board has identified as not required for use within the current five 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 or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$2,948,466. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$200,000 of the District's bank balance of \$3,005,129 was covered by the Federal Deposit Insurance Corporation, while \$2,805,129 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
U.S. Treasury obligations	\$ 2,035,000	\$ 2,035,000

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy addresses interest rate risk only to the extent of adherence to all relevant sections of the Ohio Revised Code.

Credit Risk: The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy addresses credit risk only to the extent of adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk only to the extent of adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District's investment policy addresses concentration of credit risk only to the extent of adherence to all relevant sections of the Ohio Revised Code, and does not place any limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Treasury obligations	\$ 2,035,000	100.00%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

Cash and investments per note disclosure

Carrying amount of deposits	\$	2,948,466
Investments		2,035,000
Total	\$	4,983,466

Cash and investments per statement of net assets

Governmental activities	\$	4,957,624
Private purpose trust fund		5,242
Agency fund		20,600
Total	\$	4,983,466

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Transfers during fiscal year 2008 consisted of the following individual transfers, as reported in the fund financial statements:

		<u>Amount</u>
<u>Transfers from general fund to:</u>		
Nonmajor governmental funds	\$	155,000

Transfers are used to move revenues from the fund that state statute or budget required to collect them to the fund that state statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

- B.** Loans to and from other funds at June 30, 2008 consisted of the following individual loans, as reported in the fund financial statements:

		<u>Amount</u>
<u>Loans from general fund to:</u>		
Nonmajor governmental funds	\$	2,221

Loans to and from other funds are long-term loans and are not expected to be repaid within one year. Loans between governmental funds are eliminated in the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Due from and to other funds at June 30, 2008 consisted of the following individual amounts, as reported in the fund financial statements:

<u>Due to general fund from:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 1,815

The purpose of these amounts due from and to other funds is to cover negative cash balances in various nonmajor special revenue funds. Effective April 1, 2007, the District may maintain negative cash balances if two criteria are met: (1) the general fund must have available and unencumbered funds to cover the negative amounts; and (2) a reimbursement request must have been submitted by the fiscal year-end. The District has met these two requirements. These amounts will be repaid once the anticipated revenues are received. Amounts due from and to other funds between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 6 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amounts available as an advance at June 30, 2008 were \$5,837 in the general fund and \$174 in the bond retirement debt service fund (a nonmajor governmental fund). These amounts have been recorded as revenue. The amounts available as an advance at June 30, 2007 were \$7,806 in the general fund and \$266 in the bond retirement debt service fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 98,248,800	63.07	\$ 97,694,850	67.41
Public utility personal	9,723,780	6.24	9,533,200	6.58
Tangible personal property	<u>47,802,467</u>	<u>30.69</u>	<u>37,687,853</u>	<u>26.01</u>
Total	<u>\$ 155,775,047</u>	<u>100.00</u>	<u>\$ 144,915,903</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 42.50		\$ 41.00	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Taxes	\$ 6,191,548
Accounts	13,271
Intergovernmental	<u>22,817</u>
Total	<u>\$ 6,227,636</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 543,600	\$ -	\$ -	\$ 543,600
<i>Total capital assets, not being depreciated</i>	<u>543,600</u>	<u>-</u>	<u>-</u>	<u>543,600</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	929,131	44,741	-	973,872
Buildings and improvements	15,413,847	28,677	-	15,442,524
Equipment and furniture	245,973	-	-	245,973
Vehicles	<u>860,351</u>	<u>-</u>	<u>-</u>	<u>860,351</u>
<i>Total capital assets, being depreciated</i>	<u>17,449,302</u>	<u>73,418</u>	<u>-</u>	<u>17,522,720</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(781,702)	(14,096)	-	(795,798)
Buildings and improvements	(12,347,929)	(203,481)	-	(12,551,410)
Equipment and furniture	(206,641)	(3,442)	-	(210,083)
Vehicles	<u>(675,775)</u>	<u>(25,507)</u>	<u>-</u>	<u>(701,282)</u>
<i>Total accumulated depreciation</i>	<u>(14,012,047)</u>	<u>(246,526)</u>	<u>-</u>	<u>(14,258,573)</u>
Total capital assets, net	<u>\$ 3,980,855</u>	<u>\$ (173,108)</u>	<u>\$ -</u>	<u>\$ 3,807,747</u>

**LORDSTOWN LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 136,742
Vocational	64,484
<u>Support Services:</u>	
Operations and maintenance	12,537
Pupil transportation	30,155
Extracurricular activities	640
Food service operations	1,968
Total depreciation expense	<u>\$ 246,526</u>

NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into a lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$150,000. This amount represents the present value of the minimum lease payments at the time of the inception of the lease and the acquisition of the assets. Accumulated depreciation as of June 30, 2008 was \$45,000 and the book value was \$105,000. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$30,000, paid out of the General fund. This is an interest-free lease, so there were no interest payments in fiscal year 2008.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 30,000
2010	30,000
2011	30,000
2012	<u>10,000</u>
Total	100,000
Less: amount representing interest	<u>-</u>
Present value	<u>\$ 100,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LEASE PURCHASE AGREEMENTS

On June 26, 2008, the District entered into a lease purchase agreement in the amount of \$2,050,000 for a building project, which consists of renovations to buildings of the District. In prior fiscal years, the District entered into a lease purchase agreement for the acquisition of school buses. Capital assets consisting of vehicles have been capitalized in the amount of \$177,144. This amount represents the present value of the future minimum lease payments at the time of acquisition. As of June 30, 2008, there are no capital assets associated with the building project because the renovations had not been started, and the entire amount of proceeds related to this lease purchase agreement were unspent. At June 30, 2008, accumulated depreciation on the capitalized vehicles was \$33,215 and the book value was \$143,929. A corresponding liability has been recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2008 totaled \$31,753 and \$7,554, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2009	\$ 378,964
2010	378,989
2011	378,557
2012	339,432
2013	338,190
2014 - 2015	<u>674,576</u>
Total	2,488,708
Less: amount representing interest	<u>(332,623)</u>
Present value	<u>\$ 2,156,085</u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The current obligation notes outstanding, issued to provide funds for energy improvements to District buildings, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this liability will be recorded as expenditures in the bond retirement debt service fund (a nonmajor governmental fund).

The following is a description of the District's notes outstanding as of June 30, 2008:

	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
HB 264 energy notes	3.95-5.99%	Various	<u>\$ 1,019,693</u>	<u>\$ -</u>	<u>\$ (120,661)</u>	<u>\$ 899,032</u>	<u>\$ 122,445</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Energy Conservation Notes		
	Principal	Interest	Total
2009	\$ 122,445	\$ 49,372	\$ 171,817
2010	124,338	43,032	167,370
2011	126,347	36,428	162,775
2012	128,480	29,609	158,089
2013	130,745	22,567	153,312
2014 - 2015	266,677	25,237	291,914
Total	<u>\$ 899,032</u>	<u>\$ 206,245</u>	<u>\$ 1,105,277</u>

- C.** During the fiscal year ended June 30, 2008, the following changes occurred in the governmental activities long-term obligations.

<u>Governmental Activities:</u>	Balance			Balance 06/30/08	Amount Due in One Year
	06/30/07	Additions	Reductions		
Energy conservation notes	\$ 1,019,693	\$ -	\$ (120,661)	\$ 899,032	\$ 122,445
Capital lease obligation	130,000	-	(30,000)	100,000	30,000
Lease purchase agreement	137,838	2,050,000	(31,753)	2,156,085	299,493
Compensated absences	437,761	50,226	(18,692)	469,295	92,235
Total long-term obligations	<u>\$ 1,725,292</u>	<u>\$ 2,100,226</u>	<u>\$ (201,106)</u>	<u>\$ 3,624,412</u>	<u>\$ 544,173</u>

See Note 9 for detailed information on the capital lease obligation. See Note 10 for detailed information on the lease purchase agreement. Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the general fund.

D. Legal Debt Margins

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2008, are a legal voted debt margin of \$8,884,411 (including available funds of \$91,874), a legal unvoted debt margin of \$97,695, and a legal energy conservation debt margin of \$0.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

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

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

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

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

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Harcum-Hyre		
Each occurrence		\$ 1,000,000	\$ 0
Aggregate		3,000,000	0
Property	Harcum-Hyre	43,513,500	1,000
Fleet:	Harcum-Hyre		
Comprehensive		1,000,000	1,000
Collision		1,000,000	1,000
Boiler and machinery	Harcum-Hyre	15,560,100	1,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Employee Group Medical, Dental, and Vision Insurance

The District’s medical plan, administered by Anthem Blue Cross Blue Shield, is a high deductible plan with a Health Savings Account for pre tax dollars to pay for deductibles. The deductibles for fiscal 2008 are \$1,100.00 for single coverage and \$2,200.00 for family coverage. The District Board of Education is funding these accounts at 100% for the first year and 75% for the final two years. The premium rates for the plan were \$381.58 for single coverage and \$831.53 for family coverage.

The District provides dental coverage for its employees on a self-insured basis through Professional Benefits. The District pays \$4.50 per employee per month. The District is billed bi-weekly for any claims during the period. A warrant check is sent to Professional Benefits, who distributes the payments to the providers. The District accounts for this self-insurance activity in the general fund.

The District also provides vision coverage for its employees on a self-insured basis through Professional Benefits. The District pays \$2.00 per employee per month. The District is billed bi-weekly for any claims during the period, which is included with the bill for dental insurance claims. A warrant check is sent to Professional Benefits along with the warrant check for dental insurance claims, who distributes the payments to the providers. The District accounts for this self-insurance activity in the general fund.

The claims liability for dental and vision self-insurance of \$6,573 reported in the general fund at June 30, 2008 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”, and 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 claim. Claims activity for the current and prior fiscal years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 7,331	\$ 33,346	\$ (34,104)	\$ 6,573
2007	7,242	64,298	(64,209)	7,331

C. Workers’ Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$76,994, \$73,752, and \$90,958, respectively; 61.18 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$347,466, \$332,520, and \$378,236, respectively; 83.42 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$635 made by the District and \$4,011 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$49,926, \$38,727, and \$30,670, respectively; 61.18 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$5,548, \$5,015, and \$7,240, respectively; 61.18 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$26,728, \$25,578, and \$27,017, respectively; 83.42 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 486,923
Net adjustment for revenue accruals	65,230
Net adjustment for expenditure accruals	(70,557)
Net adjustment for other financing sources/uses	(56,438)
Encumbrances	234,131
GAAP basis	\$ 659,289

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 year ended June 30, 2008, the reserve activity was as follows:

	Instructional <u>Materials</u>	Capital <u>Maintenance</u>
Set-aside balance at June 30, 2007	\$ 126,210	\$ (303,752)
Current year set-aside requirement	83,557	83,557
Current year qualifying expenditures	<u>(129,473)</u>	<u>(181,203)</u>
Total	<u>\$ 80,294</u>	<u>\$ (401,398)</u>
Set-aside balance carried forward to FY2009	<u>\$ 80,294</u>	<u>\$ (401,398)</u>

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

A schedule of the general fund restricted assets at June 30, 2008 follows:

Amount restricted for instructional materials	<u>\$ 80,294</u>
Total restricted assets	<u>\$ 80,294</u>

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lordstown Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the District's management in a separate letter dated March 26, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 26, 2009



Mary Taylor, CPA
Auditor of State

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
MAY 26, 2009