



Dave Yost • Auditor of State



**LORDSTOWN LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

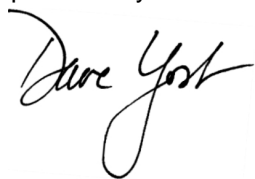
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lordstown Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's 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, 2010, and the respective changes in financial position thereof and the 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 February 7, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 7, 2011

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

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, 2010. 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 fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$153,611 which represents a 3.68% decrease from 2009.
- General revenues accounted for \$6,674,881 in revenue or 87.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$949,677 or 12.46% of total revenues of \$7,624,558.
- The District had \$7,778,169 in expenses related to governmental activities; \$949,677 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,674,881 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 \$6,495,623 in revenues and \$6,985,666 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$490,043 from a balance of \$1,402,390 to \$912,347.
- The District's other major governmental fund is the permanent improvement fund. The permanent improvement fund had \$393,801 in revenues and \$974,251 in expenditures. During fiscal year 2010, the permanent improvement fund's fund balance decreased \$580,450 from a balance of \$652,197 to \$71,747.

**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, 2010  
(Unaudited)

**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 2010?" 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, 2010  
(Unaudited)

***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 22-47 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 at June 30, 2010 and June 30, 2009.

	<b>Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,448,274	\$ 6,634,546
Capital assets, net	<u>5,363,375</u>	<u>4,945,005</u>
Total assets	<u>10,811,649</u>	<u>11,579,551</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,108,821	4,246,531
Long-term liabilities	<u>2,681,199</u>	<u>3,157,780</u>
Total liabilities	<u>6,790,020</u>	<u>7,404,311</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,122,521	2,785,623
Restricted	209,559	228,696
Unrestricted	<u>689,549</u>	<u>1,160,921</u>
Total net assets	<u>\$ 4,021,629</u>	<u>\$ 4,175,240</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$4,021,629. Of this total, \$209,559 is restricted in use.

At year-end, capital assets represented 49.61% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$3,122,521. 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.

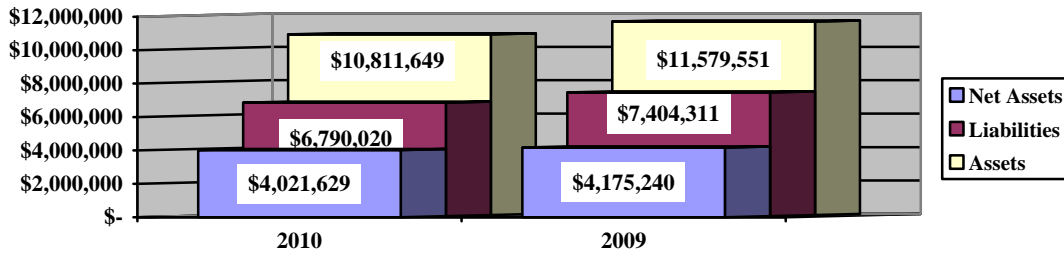
A portion of the District's net assets, \$209,559 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$689,549.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The graph below presents the District's assets, liabilities and net assets at June 30, 2010 and June 30, 2009.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2010 and 2009.

**Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 553,842	\$ 528,762
Operating grants and contributions	395,681	259,364
Capital grants and contributions	154	15,235
General revenues:		
Property taxes	3,411,262	3,683,568
School district income taxes	-	67,744
Grants and entitlements	2,681,096	2,416,824
Revenue in lieu of taxes	393,647	432,848
Investment earnings	3,363	14,102
Other	185,513	300,379
<b>Total revenues</b>	<b><u>7,624,558</u></b>	<b><u>7,718,826</u></b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Change in Net Assets**

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,227,831	\$ 3,501,719
Special	793,641	668,284
Vocational	108,674	102,209
Adult/continuing	-	937
Other	232,152	213,244
Support services:		
Pupil	176,083	169,923
Instructional staff	206,274	141,207
Board of education	127,461	114,032
Administration	573,297	529,174
Fiscal	312,954	346,193
Business	35,749	4,961
Operations and maintenance	1,135,361	1,561,719
Pupil transportation	294,937	284,788
Central	45,019	34,863
Operations of non-instructional services:		
Food service operations	160,458	162,801
Other non-instructional services	1,568	9,568
Compact operations	-	3,637
Extracurricular activities	241,000	229,313
Interest and fiscal charges	<u>105,710</u>	<u>124,826</u>
Total expenses	<u>7,778,169</u>	<u>8,203,398</u>
Change in net assets	(153,611)	(484,572)
Net assets at beginning of year	<u>4,175,240</u>	<u>4,659,812</u>
Net assets at end of year	<u>\$ 4,021,629</u>	<u>\$ 4,175,240</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$153,611. Total governmental expenses of \$7,778,169 were offset by program revenues of \$949,677 and general revenues of \$6,674,881. Program revenues supported 12.21% 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 79.90% of total governmental revenue.

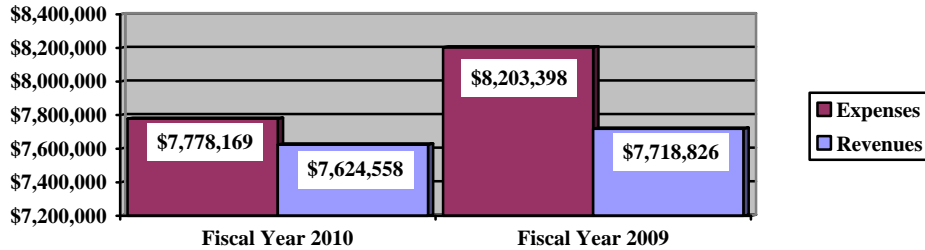
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,362,298 or 56.08% of total governmental expenses for fiscal year 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2010 and 2009.

**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**

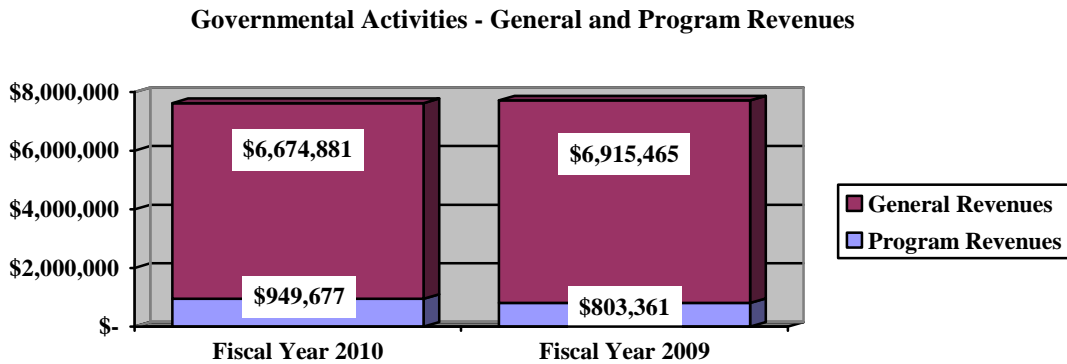
	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,227,831	\$ 2,832,890	\$ 3,501,719	\$ 3,189,587
Special	793,641	539,422	668,284	507,458
Vocational	108,674	108,340	102,209	101,893
Adult/continuing	-	-	937	937
Other	232,152	232,152	213,244	213,244
Support services:				
Pupil	176,083	176,083	169,923	167,853
Instructional staff	206,274	206,274	141,207	141,207
Board of education	127,461	127,461	114,032	114,032
Administration	573,297	570,797	529,174	524,239
Fiscal	312,954	310,454	346,193	346,128
Business	35,749	35,749	4,961	4,961
Operations and maintenance	1,135,361	1,060,761	1,561,719	1,448,132
Pupil transportation	294,937	294,937	284,788	281,824
Central	45,019	45,019	34,863	34,863
Operations of non-instructional services:				
Food service operations	160,458	(40,157)	162,801	(25,601)
Other non-instructional services	1,568	1,568	9,568	9,568
Compact operations	-	-	3,637	3,637
Extracurricular activities	241,000	221,032	229,313	211,249
Interest and fiscal charges	105,710	105,710	124,826	124,826
<b>Total expenses</b>	<u>\$ 7,778,169</u>	<u>\$ 6,828,492</u>	<u>\$ 8,203,398</u>	<u>\$ 7,400,037</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 85.11% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.79%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2010 and 2009.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,108,794, which is lower than last year's total of \$2,222,389. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>Decrease</u>	<u>Percentage Change</u>
General	\$ 912,347	\$ 1,402,390	\$ (490,043)	(34.94) %
Permanent Improvement	71,747	652,197	(580,450)	(89.00) %
Other Governmental	<u>124,700</u>	<u>167,802</u>	<u>(43,102)</u>	(25.69) %
Total	<u>\$ 1,108,794</u>	<u>\$ 2,222,389</u>	<u>\$ (1,113,595)</u>	(50.11) %

**General Fund**

The District's general fund's fund balance decreased \$490,043. The decrease in the fund balances can be attributed to several factors such as the decrease of tax revenue, the expenses related to building improvement renovation project, and the decrease in earnings on investments due to declining rates.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,277,893	\$ 3,612,579	\$ (334,686)	(9.26) %
Tuition	330,782	277,001	53,781	19.42 %
Earnings on investments	3,363	14,102	(10,739)	(76.15) %
Intergovernmental	2,681,430	2,431,630	249,800	10.27 %
Other revenues	<u>202,155</u>	<u>336,603</u>	<u>(134,448)</u>	<u>(39.94) %</u>
Total	<u>\$ 6,495,623</u>	<u>\$ 6,671,915</u>	<u>\$ (176,292)</u>	<u>(2.64) %</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 3,792,567	\$ 3,965,566	\$ (172,999)	(4.36) %
Support services	2,947,110	3,130,542	(183,432)	(5.86) %
Other non-instructional services	-	8,000	(8,000)	(100.00) %
Extracurricular activities	176,683	181,169	(4,486)	(2.48) %
Debt service	<u>69,306</u>	<u>69,306</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 6,985,666</u>	<u>\$ 7,354,583</u>	<u>\$ (368,917)</u>	<u>(5.02) %</u>

***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 year 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,750,238 and final budgeted revenues and other financing sources were \$6,513,105. Actual revenues and other financing sources for fiscal year 2010 was \$6,536,486. This represents an increase from final budgeted revenues and other financing sources of \$23,381.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,044,958 were increased to \$7,282,788 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$7,349,056. This was \$66,268 more than the final budget appropriations.

***Permanent Improvement Fund***

The District's permanent improvement fund's fund balance decreased to a balance of \$71,747. The decrease in the fund balance can be primarily attributed to the building project which consists of building renovations which increased expenditures. The building project was completed during the fiscal year. Expenditures exceeded revenues for fiscal year 2010 by \$580,450.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Unaudited)

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2010, the District had \$5,363,375 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 June 30, 2010 balances compared to June 30, 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 543,600	\$ 543,600
Construction in progress	-	1,377,160
Land improvements	147,643	162,858
Building and improvements	4,472,719	2,687,318
Furniture and equipment	70,385	31,132
Vehicles	129,028	142,937
Total	\$ 5,363,375	\$ 4,945,005

The overall increase in capital assets of \$418,370 is due to capital outlays of \$733,433 exceeding depreciation expense of \$315,063 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, 2010, the District had \$2,240,854 in energy conservation notes, capital lease obligations, and lease purchase agreements outstanding. Of this total, \$474,611 is due within one year and \$1,766,243 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
	2010	2009
Energy conservation notes	\$ 650,590	\$ 775,767
Capital lease obligation	40,000	70,000
Lease purchase agreements	1,550,264	1,856,592
Total	\$ 2,240,854	\$ 2,702,359

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, 2010  
(Unaudited)**

**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 have been stable over the past few years. 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, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 1,821,323
Receivables:	
Property taxes . . . . .	3,564,835
Accounts . . . . .	1,788
Intergovernmental . . . . .	23,421
Prepayments . . . . .	31,488
Materials and supplies inventory. . . . .	5,419
Capital assets:	
Land and construction in progress. . . . .	543,600
Depreciable capital assets, net. . . . .	4,819,775
Capital assets, net . . . . .	5,363,375
 Total assets. . . . .	 10,811,649
 <b>Liabilities:</b>	
Accounts payable. . . . .	14,695
Accrued wages and benefits . . . . .	506,508
Pension obligation payable. . . . .	162,438
Intergovernmental payable . . . . .	43,161
Unearned revenue . . . . .	3,331,436
Accrued interest payable . . . . .	42,729
Claims payable. . . . .	7,854
Long-term liabilities:	
Due within one year. . . . .	559,532
Due in more than one year . . . . .	2,121,667
 Total liabilities . . . . .	 6,790,020
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	3,122,521
Restricted for:	
Capital projects . . . . .	73,718
Debt service. . . . .	11,416
State funded programs. . . . .	4,534
Federally funded programs . . . . .	2,699
Public school support . . . . .	19,235
Student activities . . . . .	10,637
Other purposes . . . . .	87,320
Unrestricted . . . . .	689,549
 Total net assets . . . . .	 \$ 4,021,629

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, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,227,831	\$ 344,599	\$ 50,342	\$ -	\$ (2,832,890)
Special . . . . .	793,641	-	254,219	-	(539,422)
Vocational . . . . .	108,674	-	334	-	(108,340)
Other . . . . .	232,152	-	-	-	(232,152)
Support services:					
Pupil . . . . .	176,083	-	-	-	(176,083)
Instructional staff . . . . .	206,274	-	-	-	(206,274)
Board of education . . . . .	127,461	-	-	-	(127,461)
Administration . . . . .	573,297	-	2,500	-	(570,797)
Fiscal . . . . .	312,954	-	2,500	-	(310,454)
Business . . . . .	35,749	-	-	-	(35,749)
Operations and maintenance . . . . .	1,135,361	74,446	-	154	(1,060,761)
Pupil transportation . . . . .	294,937	-	-	-	(294,937)
Central . . . . .	45,019	-	-	-	(45,019)
Operation of non-instructional services:					
Food service operations . . . . .	160,458	115,113	85,502	-	40,157
Other non-instructional services . . . . .	1,568	-	-	-	(1,568)
Extracurricular activities . . . . .	241,000	19,684	284	-	(221,032)
Interest and fiscal charges . . . . .	105,710	-	-	-	(105,710)
<b>Total governmental activities . . . . .</b>	<b>\$ 7,778,169</b>	<b>\$ 553,842</b>	<b>\$ 395,681</b>	<b>\$ 154</b>	<b>(6,828,492)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					3,324,473
Debt service . . . . .					86,789
Grants and entitlements not restricted to specific programs . . . . .					2,681,096
Revenue in lieu of taxes . . . . .					393,647
Investment earnings . . . . .					3,363
Miscellaneous . . . . .					185,513
<b>Total general revenues . . . . .</b>					<b>6,674,881</b>
Change in net assets . . . . .					(153,611)
<b>Net assets at beginning of year . . . . .</b>					<b>4,175,240</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 4,021,629</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,533,690	\$ 71,747	\$ 202,100	\$ 1,807,537
Receivables:				
Property taxes . . . . .	3,388,680	-	176,155	3,564,835
Accounts . . . . .	1,506	-	282	1,788
Intergovernmental . . . . .	15,240	-	8,181	23,421
Prepayments . . . . .	31,488	-	-	31,488
Materials and supplies inventory . . . . .	-	-	5,419	5,419
Due from other funds . . . . .	20	-	-	20
Loans to other funds . . . . .	2,221	-	-	2,221
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	13,786	-	-	13,786
Total assets . . . . .	<u>\$ 4,986,631</u>	<u>\$ 71,747</u>	<u>\$ 392,137</u>	<u>\$ 5,450,515</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 14,516	\$ -	\$ 179	\$ 14,695
Accrued wages and benefits . . . . .	466,738	-	39,770	506,508
Compensated absences payable . . . . .	27,245	-	-	27,245
Pension obligation payable . . . . .	148,796	-	13,642	162,438
Intergovernmental payable . . . . .	40,048	-	3,113	43,161
Unearned revenue . . . . .	3,135,107	-	196,329	3,331,436
Deferred revenue . . . . .	233,980	-	12,163	246,143
Due to other funds . . . . .	-	-	20	20
Loans from other funds . . . . .	-	-	2,221	2,221
Claims payable . . . . .	7,854	-	-	7,854
Total liabilities . . . . .	<u>4,074,284</u>	<u>-</u>	<u>267,437</u>	<u>4,341,721</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	163,998	-	6,477	170,475
Reserved for materials and supplies inventory . . . . .	-	-	5,419	5,419
Reserved for prepayments . . . . .	31,488	-	-	31,488
Reserved for tax revenue unavailable for appropriation . . . . .	19,593	-	1,019	20,612
Reserved for debt service . . . . .	-	-	34,562	34,562
Reserved for instructional materials . . . . .	13,786	-	-	13,786
Reserved for loans . . . . .	2,221	-	-	2,221
Unreserved, undesignated, reported in:				
General fund . . . . .	681,261	-	-	681,261
Special revenue funds . . . . .	-	-	70,636	70,636
Capital projects funds . . . . .	-	71,747	6,587	78,334
Total fund balances . . . . .	<u>912,347</u>	<u>71,747</u>	<u>124,700</u>	<u>1,108,794</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,986,631</u>	<u>\$ 71,747</u>	<u>\$ 392,137</u>	<u>\$ 5,450,515</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, 2010

<b>Total governmental fund balances</b>		\$	1,108,794
<i>Amounts reported for governmental activities on 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.			5,363,375
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	246,143	
Total			246,143
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		(413,100)	
Energy conservation notes		(650,590)	
Lease purchase agreement payable		(1,550,264)	
Capital lease obligation payable		(40,000)	
Accrued interest payable		(42,729)	
Total			(2,696,683)
<b>Net assets of governmental activities</b>		\$	4,021,629

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, 2010

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,277,893	\$ -	\$ 81,383	\$ 3,359,276
Tuition . . . . .	330,782	-	-	330,782
Earnings on investments . . . . .	3,363	154	22	3,539
Charges for services . . . . .	-	-	115,113	115,113
Extracurricular . . . . .	-	-	18,332	18,332
Classroom materials and fees . . . . .	-	-	13,817	13,817
Rental income . . . . .	74,446	-	-	74,446
Contributions and donations . . . . .	-	-	284	284
Contract services . . . . .	-	-	1,352	1,352
Other local revenues . . . . .	127,709	-	57,804	185,513
Intergovernmental - state . . . . .	2,681,430	-	11,266	2,692,696
Intergovernmental - federal . . . . .	-	-	383,775	383,775
Revenue in lieu of taxes . . . . .	-	393,647	-	393,647
Total revenues . . . . .	<u>6,495,623</u>	<u>393,801</u>	<u>683,148</u>	<u>7,572,572</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,003,099	-	55,958	3,059,057
Special . . . . .	513,258	-	279,179	792,437
Vocational . . . . .	44,146	-	-	44,146
Other . . . . .	232,064	-	-	232,064
Support services:				
Pupil . . . . .	173,503	-	-	173,503
Instructional staff . . . . .	206,815	-	-	206,815
Board of education . . . . .	127,461	-	-	127,461
Administration . . . . .	565,957	2,000	2,251	570,208
Fiscal . . . . .	312,526	-	868	313,394
Business . . . . .	35,749	-	-	35,749
Operations and maintenance . . . . .	1,216,256	632,568	-	1,848,824
Pupil transportation . . . . .	264,336	-	-	264,336
Central . . . . .	44,507	-	-	44,507
Operation of non-instructional services:				
Food service operations . . . . .	-	-	156,847	156,847
Extracurricular activities . . . . .	176,683	-	63,817	240,500
Debt service:				
Principal retirement . . . . .	65,328	271,000	125,177	461,505
Interest and fiscal charges . . . . .	3,978	68,683	42,153	114,814
Total expenditures . . . . .	<u>6,985,666</u>	<u>974,251</u>	<u>726,250</u>	<u>8,686,167</u>
Net change in fund balances . . . . .	(490,043)	(580,450)	(43,102)	(1,113,595)
<b>Fund balances at beginning of year . . . . .</b>	<u>1,402,390</u>	<u>652,197</u>	<u>167,802</u>	<u>2,222,389</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 912,347</u>	<u>\$ 71,747</u>	<u>\$ 124,700</u>	<u>\$ 1,108,794</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, 2010

**Net change in fund balances - total governmental funds** \$ (1,113,595)

*Amounts reported for governmental activities in the statement of activities are different because:*

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 the capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 733,433	
Current year depreciation	<u>(315,063)</u>	
Total		418,370

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	<u>51,986</u>	
Total		51,986

Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

461,505

In the statement of activities, interest is accrued on outstanding notes and leases, whereas in governmental funds, an interest expenditure is reported when due.

9,104

Some expenses reported in the statement of activities, such as compensated absences, future retirement obligations, and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

19,019

**Change in net assets of governmental activities** \$ (153,611)

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, 2010

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,407,470	\$ 3,274,949	\$ 3,286,705	\$ 11,756
Tuition . . . . .	333,489	329,599	330,782	1,183
Earnings on investments . . . . .	10,035	3,351	3,363	12
Rental income . . . . .	100,769	72,679	72,940	261
Other local revenues . . . . .	164,271	120,142	120,574	432
Intergovernmental - state . . . . .	<u>2,700,275</u>	<u>2,671,839</u>	<u>2,681,430</u>	<u>9,591</u>
Total revenues . . . . .	<u>6,716,309</u>	<u>6,472,559</u>	<u>6,495,794</u>	<u>23,235</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,935,039	3,018,651	3,046,522	(27,871)
Special . . . . .	466,914	509,862	514,410	(4,548)
Vocational . . . . .	43,047	43,254	43,640	(386)
Other . . . . .	215,380	229,974	232,025	(2,051)
Support services:				
Pupil . . . . .	169,987	172,983	174,652	(1,669)
Instructional staff . . . . .	200,984	218,526	220,475	(1,949)
Board of education . . . . .	130,242	156,847	158,246	(1,399)
Administration . . . . .	546,859	570,125	575,733	(5,608)
Fiscal . . . . .	312,696	310,502	313,272	(2,770)
Business . . . . .	43,632	44,602	45,000	(398)
Operations and maintenance . . . . .	1,388,771	1,403,629	1,416,149	(12,520)
Pupil transportation . . . . .	309,924	328,221	330,862	(2,641)
Central . . . . .	42,975	39,868	40,224	(356)
Extracurricular activities . . . . .	<u>180,583</u>	<u>175,710</u>	<u>177,277</u>	<u>(1,567)</u>
Total expenditures . . . . .	<u>6,987,033</u>	<u>7,222,754</u>	<u>7,288,487</u>	<u>(65,733)</u>
Excess of expenditures over revenues . . . . .	<u>(270,724)</u>	<u>(750,195)</u>	<u>(792,693)</u>	<u>(42,498)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	25,353	33,337	33,457	120
Other uses . . . . .	(57,925)	(60,034)	(60,569)	(535)
Sale of capital assets . . . . .	8,576	7,209	7,235	26
Total other financing sources (uses) . . . . .	<u>(23,996)</u>	<u>(19,488)</u>	<u>(19,877)</u>	<u>(389)</u>
Net change in fund balance . . . . .	(294,720)	(769,683)	(812,570)	(42,887)
<b>Fund balance at beginning of year . . . . .</b>	1,928,746	1,928,746	1,928,746	-
<b>Prior year encumbrances appropriated . . . . .</b>	266,077	266,077	266,077	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,900,103</u>	<u>\$ 1,425,140</u>	<u>\$ 1,382,253</u>	<u>\$ (42,887)</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, 2010

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 12,035	\$ 28,218
Receivables:		
Accounts . . . . .	-	65
Total assets. . . . .	12,035	\$ 28,283
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 941
Due to students. . . . .	-	27,342
Total liabilities . . . . .	-	\$ 28,283
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	12,035	
Total net assets . . . . .	\$ 12,035	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 497
Total additions. . . . .	497
<b>Reductions:</b>	
Scholarships awarded . . . . .	511
Change in net assets. . . . .	(14)
<b>Net assets at beginning of year . . . . .</b>	<b>12,049</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 12,035</b>

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, 2010**

**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 601<sup>st</sup> largest in the State of Ohio among the 905 public school districts and community schools 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 27 noncertified personnel to provide services to approximately 592 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 comprised of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*INSURANCE PURCHASING POOL*

Workers' Compensation Group Rating Program

The District participates in a Workers' Compensation Group Rating Program (GRP) administered by Sheakley UniServe, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

*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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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).

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, 2010, but which were levied to finance fiscal year 2011 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, 2010 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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 2010 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 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.
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 2010.
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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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, 2010; 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 2010, the District had no investments. All monies of the cash management pool were maintained in depository accounts.

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 2010 amounted to \$3,363, which includes \$808 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.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**H. 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 2010, 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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds", 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, 2010, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010, 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.

**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, materials and supplies inventory, prepaids, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**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.

**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 2010.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
IDEA, Part B	\$ 35,769
Stimulus Title II-D	20
Title V, innovative education programs	2,221

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, 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, 2010, the carrying amount of all District deposits was \$1,861,576. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,622,941 of the District's bank balance of \$1,872,941 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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.

**B. 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, 2010:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 1,861,576
Total	<u>\$ 1,861,576</u>

Cash and investments per statement of net assets

Governmental activities	\$ 1,821,323
Private purpose trust fund	12,035
Agency fund	<u>28,218</u>
Total	<u>\$ 1,861,576</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Loans to and from other funds at June 30, 2010 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.

- B. Interfund balances for the year ended June 30, 2010, consisted of the following due to/from other funds, as reported on the fund financial statements:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 20	\$ -
Nonmajor governmental funds:		
Title V - innovative education programs	-	20
Total	\$ 20	\$ 20

The primary purpose of the due to/from other funds is to cover a negative cash balance in a respective fund and to represent amounts owed between funds for goods or services provided. The general fund is liable for covering a cash deficit. Due to/from other funds are eliminated between governmental funds for reporting in the statement of net assets. All amounts are to be repaid within one year.

**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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.



**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from 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, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$19,593 in the general fund and \$1,019 in the bond retirement debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$28,405 in the general fund and \$1,024 in the bond retirement debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the 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, 2010 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.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 97,373,430	82.52	\$ 97,359,050	91.94
Public utility personal	8,292,220	7.03	8,103,780	7.65
Tangible personal property	<u>12,329,869</u>	<u>10.45</u>	<u>427,007</u>	<u>0.41</u>
Total	<u>\$ 117,995,519</u>	<u>100.00</u>	<u>\$ 105,889,837</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$41.00		\$42.20	

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010 consisted of property 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:

<b><u>Governmental activities:</u></b>	<b><u>Amount</u></b>
Property taxes	\$ 3,564,835
Accounts	1,788
Intergovernmental	<u>23,421</u>
Total	<u>\$ 3,590,044</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, 2010 was as follows:

<b><u>Governmental activities:</u></b>	<b><u>Balance</u></b>		<b><u>Balance</u></b>
	<b><u>06/30/09</u></b>	<b><u>Additions</u></b>	<b><u>06/30/10</u></b>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 543,600	\$ -	\$ 543,600
Construction-in-progress	<u>1,377,160</u>	<u>672,840</u>	<u>(2,050,000)</u>
<i>Total capital assets, not being depreciated</i>	<u>1,920,760</u>	<u>672,840</u>	<u>543,600</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	973,872	-	973,872
Buildings and improvements	15,406,644	2,050,000	17,456,644
Equipment and furniture	221,290	46,888	268,178
Vehicles	<u>870,351</u>	<u>13,705</u>	<u>(107,834)</u>
<i>Total capital assets, being depreciated</i>	<u>17,472,157</u>	<u>2,110,593</u>	<u>19,474,916</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(811,014)	(15,215)	(826,229)
Buildings and improvements	(12,719,326)	(264,599)	(12,983,925)
Equipment and furniture	(190,158)	(7,635)	(197,793)
Vehicles	<u>(727,414)</u>	<u>(27,614)</u>	<u>107,834</u>
<i>Total accumulated depreciation</i>	<u>(14,447,912)</u>	<u>(315,063)</u>	<u>(14,655,141)</u>
Total capital assets, net	<u>\$ 4,945,005</u>	<u>\$ 2,468,370</u>	<u>\$ 5,363,375</u>

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**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 198,916
Vocational	64,484
<u>Support services:</u>	
Administration	2,630
Operations and maintenance	16,553
Pupil transportation	29,872
Other non-instructional services	1,568
Extracurricular activities	640
Food service operations	400
Total depreciation expense	<u>\$ 315,063</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, 2010 was \$105,000 and the book value was \$45,000. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$30,000, paid out of the general fund. This is an interest-free lease, so there were no interest payments in fiscal year 2010.

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, 2010:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 30,000
2012	10,000
Total	40,000
Less: amount representing interest	<u>-</u>
Present value	<u>\$ 40,000</u>

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**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 building improvements and vehicles have been capitalized in the amounts of \$2,050,000 and \$177,144, respectively. These amounts represent the present value of the future minimum lease payments at the time of acquisition. At June 30, 2010, accumulated depreciation on the capitalized vehicles was \$77,501 and the book value was \$99,643. Accumulated depreciation on the capitalized building improvements was \$25,625 and the book value was \$2,024,375. A corresponding liability has been recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2010 totaled \$306,328 and \$72,661, 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, 2010:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2011	\$ 378,557
2012	339,432
2013	338,190
2014	337,563
2015	<u>337,013</u>
Total	1,730,755
Less: amount representing interest	<u>(180,491)</u>
Present value	<u>\$ 1,550,264</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, 2010:

	<u>Interest</u> <u>Rates</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
HB 264 energy notes	3.95-5.99%	Various	<u>\$ 775,767</u>	<u>\$ -</u>	<u>\$ (125,177)</u>	<u>\$ 650,590</u>	<u>\$ 126,347</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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
2011	\$ 126,347	\$ 36,428	\$ 162,775
2012	128,480	29,609	158,089
2013	130,745	22,567	153,312
2014	133,149	15,293	148,442
2015	131,869	11,643	143,512
Total	<u>\$ 650,590</u>	<u>\$ 115,540</u>	<u>\$ 766,130</u>

- C.** During the fiscal year ended June 30, 2010, the following changes occurred in the governmental activities long-term obligations.

<u>Governmental activities:</u>	Balance	<u>Additions</u>	<u>Reductions</u>	Balance	Amount
	<u>06/30/09</u>			<u>06/30/10</u>	Due in <u>One Year</u>
Energy conservation notes	\$ 775,767	\$ -	\$ (125,177)	\$ 650,590	\$ 126,347
Capital lease obligation	70,000	-	(30,000)	40,000	30,000
Lease purchase agreement	1,856,592	-	(306,328)	1,550,264	318,264
Compensated absences	455,421	68,113	(83,189)	440,345	84,921
Total long-term obligations	<u>\$ 3,157,780</u>	<u>\$ 68,113</u>	<u>\$ (544,694)</u>	<u>\$ 2,681,199</u>	<u>\$ 559,532</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, 2010 are a legal voted debt margin of \$9,526,060 (including available funds of \$35,581), a legal unvoted debt margin of \$105,450, and a legal energy conservation debt margin of \$298,458.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**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. Noncertified 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.

Noncertified 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		\$ 2,000,000	\$ 2,500
Aggregate		3,000,000	0
Property	Harcum-Hyre	36,927,234	1,000
Fleet:	Harcum-Hyre		
Comprehensive		Actual Cash Value	1,000/250
Collision		Actual Cash Value	1,000/250
Boiler and machinery	Harcum-Hyre	36,927,234	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.

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**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 year 2010 are \$1,500 for single coverage and \$3,000 for family coverage. The District Board of Education is funding these accounts at 100% for 3 years. The premium rates for the plan were \$378.20 for single coverage, \$831.28 for employees/spouse coverage, \$638.40 for employee/dependent coverage and \$1,167.50 for family coverage.

The District provides dental coverage for its employees on a self-insured basis through Self Funded, Inc. 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 Self Funded Inc., 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 Self Funded, Inc. 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 Self Funded, Inc. 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 \$7,854 reported in the general fund at June 30, 2010 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>
2010	\$ 11,062	\$ 34,192	\$ (37,400)	\$ 7,854
2009	6,573	43,478	(38,989)	11,062

**C. Workers' Compensation**

For fiscal year 2010, the District participated in a Workers' Compensation Group Rating Program (GRP). 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 tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. 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 their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniServe, Inc. provides administrative, cost control and actuarial services to the GRP.

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**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, disability, survivor 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](http://www.ohsers.org), under *Employers/Audit Resources*.

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 2010, 12.78 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, 2010, 2009 and 2008 were \$108,513, \$82,155 and \$76,994, respectively; 35.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://www.strsoh.org).

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.



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**NOTE 14 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 2010, 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, 2010, 2009 and 2008 were \$371,459, \$370,000 and \$347,466, respectively; 83.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$15,966 made by the District and \$11,404 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, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,830, \$54,290 and \$49,926, respectively; 35.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,453, \$6,778 and \$5,548, respectively; 35.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://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 2010, 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, 2010, 2009, and 2008 were \$28,574, \$28,462 and \$26,728, respectively; 83.93 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 revenues, 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); and,
- (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	\$ (812,570)
Net adjustment for revenue accruals	(171)
Net adjustment for expenditure accruals	137,578
Net adjustment for other financing sources/uses	19,877
Encumbrances	165,243
GAAP basis	\$ (490,043)

**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.

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**NOTE 17 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**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, 2010, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance at June 30, 2009	\$ 18,543	\$ (501,041)
Current year set-aside requirement	97,587	97,587
Current year qualifying expenditures	<u>(102,344)</u>	<u>(408,354)</u>
Total	<u>\$ 13,786</u>	<u>\$ (811,808)</u>
Set-aside balance carried forward to fiscal year 2011	<u>\$ 13,786</u>	<u>\$ (501,041)</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, 2010 follows:

Amount restricted for instructional materials	<u>\$ 13,786</u>
Total restricted assets	<u>\$ 13,786</u>



# Dave Yost • 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2011. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### 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*.

Lordstown Local School District  
Trumbull County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 7, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 7, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Lordstown Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on February 21, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

However, the District's Policy did not include the following requirement:

- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 7, 2011





# Dave Yost • 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  
MARCH 15, 2011