



Dave Yost • Auditor of State



**LORDSTOWN LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Lordstown Local School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position and budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 16, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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, 2014. 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 2014 are as follows:

- Net position of governmental activities decreased \$204,610 which represents a 7.43% decrease from 2013.
- General revenues accounted for \$5,731,149 in revenue or 83.13% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,163,081 or 16.87% of total revenues of \$6,894,230.
- The District had \$7,098,840 in expenses related to governmental activities; \$1,163,081 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,731,149 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,262,211 in revenues and \$6,431,401 in expenditures and other financing uses. During fiscal year 2014, the general fund's fund balance decreased \$169,190 from a deficit fund balance of \$157,504 to a deficit fund balance of \$326,694.

**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 position* 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 is by far the most significant fund, and is the only governmental fund reported as a major fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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**Reporting the District as a Whole**

***Statement of Net Position 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 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 position* and changes in that position. This change in net position 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 Position 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 position 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 only major governmental fund is the general 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 Position 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 Position and Changes in Fiduciary Net Position 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, 2014  
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***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 23-49 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities 2014	Governmental Activities 2013
<b><u>Assets</u></b>		
Current and other assets	\$ 4,424,296	\$ 4,424,464
Capital assets, net	<u>4,339,478</u>	<u>4,714,361</u>
Total assets	<u>8,763,774</u>	<u>9,138,825</u>
<b><u>Liabilities</u></b>		
Current liabilities	817,068	704,428
Long-term liabilities	<u>2,144,270</u>	<u>2,435,898</u>
Total liabilities	<u>2,961,338</u>	<u>3,140,326</u>
<b><u>Deferred inflows of resources</u></b>	<u>3,252,836</u>	<u>3,244,289</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	2,442,732	2,595,913
Restricted	225,854	207,224
Unrestricted (deficit)	<u>(118,986)</u>	<u>(48,927)</u>
Total net position	<u>\$ 2,549,600</u>	<u>\$ 2,754,210</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets exceeded liabilities plus deferred inflows of resources by \$2,549,600.

At year-end, capital assets represented 49.52% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014 was \$2,442,732. 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.

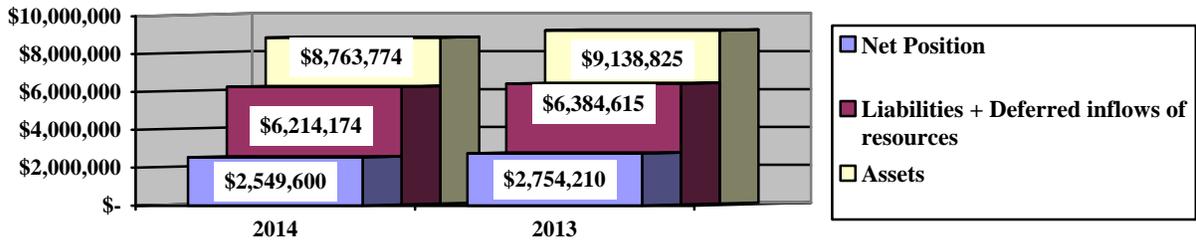
A portion of the District's net position, \$225,854 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$118,986.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

**Governmental Activities**



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities 2014	Governmental Activities 2013
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 690,747	\$ 678,450
Operating grants and contributions	472,334	379,681
General revenues:		
Property taxes	3,308,749	3,297,577
Payment in lieu of taxes	69,628	163,387
Grants and entitlements	2,160,994	2,312,304
Investment earnings	40	113
Other	191,738	166,045
Total revenues	<u>6,894,230</u>	<u>6,997,557</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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	<b>Change in Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 2,896,642	\$ 3,058,990
Special	616,392	604,085
Vocational	116,065	114,830
Other	446,041	301,680
Support services:		
Pupil	123,333	108,010
Instructional staff	125,775	125,578
Board of education	130,908	137,064
Administration	467,586	491,874
Fiscal	302,458	322,546
Business	22,680	26,515
Operations and maintenance	1,009,850	1,150,844
Pupil transportation	351,612	325,518
Operations of non-instructional services:		
Food service operations	166,582	172,091
Extracurricular activities	221,381	240,203
Interest and fiscal charges	<u>101,535</u>	<u>108,669</u>
Total expenses	<u>7,098,840</u>	<u>7,288,497</u>
Change in net position	(204,610)	(290,940)
Net position at beginning of year	<u>2,754,210</u>	<u>3,045,150</u>
Net position at end of year	<u><u>\$ 2,549,600</u></u>	<u><u>\$ 2,754,210</u></u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$204,610. Total governmental expenses of \$7,098,840 were offset by program revenues of \$1,163,081 and general revenues of \$5,731,149. Program revenues supported 16.38% of the total governmental expenses.

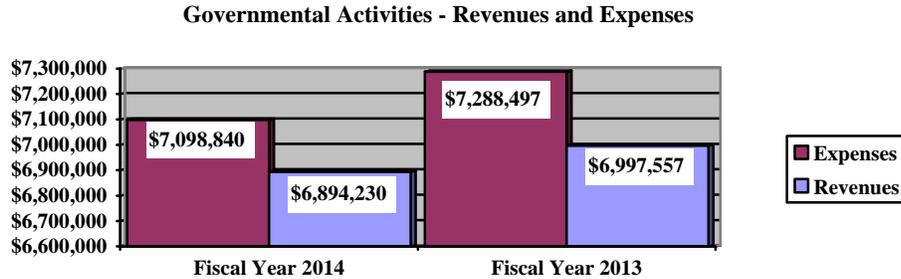
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.34% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,075,140 or 57.41% of total governmental expenses for fiscal year 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The graph below presents the District's governmental activities revenues and expenses for 2014 and 2013.



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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 2,896,642	\$ 2,366,992	\$ 3,058,990	\$ 2,548,056
Special	616,392	269,967	604,085	371,915
Vocational	116,065	115,403	114,830	114,494
Other	446,041	446,041	301,680	301,680
Support services:				
Pupil	123,333	123,333	108,010	108,010
Instructional staff	125,775	125,775	125,578	125,578
Board of education	130,908	130,908	137,064	137,064
Administration	467,586	467,586	491,874	491,874
Fiscal	302,458	302,458	322,546	322,546
Business	22,680	22,680	26,515	26,515
Operations and maintenance	1,009,850	950,773	1,150,844	1,088,036
Pupil transportation	351,612	351,612	325,518	325,518
Operations of non-instructional services:				
Food service operations	166,582	(15,448)	172,091	(11,153)
Extracurricular activities	221,381	176,144	240,203	171,564
Interest and fiscal charges	101,535	101,535	108,669	108,669
<b>Total expenses</b>	<u>\$ 7,098,840</u>	<u>\$ 5,935,759</u>	<u>\$ 7,288,497</u>	<u>\$ 6,230,366</u>

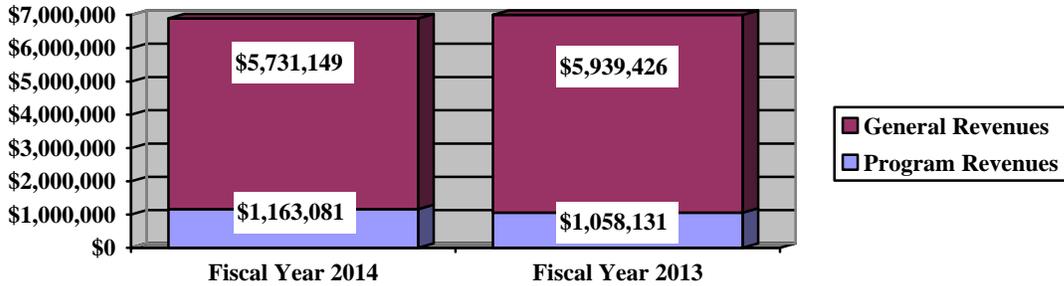
The dependence upon tax and other general revenues for governmental activities is apparent, 78.49% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.62%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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The graph below presents the District's governmental activities revenues for fiscal year 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined deficit fund balance of \$87,092 is lower than last year's total fund balance of \$43,330. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	(Deficit) Fund Balance June 30, 2014	(Deficit) Fund Balance June 30, 2013	Increase/ (Decrease)	Percentage Change
General	\$ (326,694)	\$ (157,504)	\$ (169,190)	107.42 %
Other Governmental	<u>239,602</u>	<u>200,834</u>	<u>38,768</u>	19.30 %
Total	<u>\$ (87,092)</u>	<u>\$ 43,330</u>	<u>\$ (130,422)</u>	(301.00) %

**General Fund**

The District's general fund's fund balance decreased \$169,190. This decrease can be attributed to the continued decrease in revenues from the prior year. This decrease is primarily due to decreased property taxes and payment in lieu of taxes receipts. Overall revenues remained fairly consistent with prior year with a decrease of only 1.61% from the prior year.

The overall expenditures decreased \$337,463 or 5.10%. The decrease in support services is primarily due to the District's efforts to control costs related to operations and maintenance. The decline in capital outlay expenditures were due to a capital lease obligation for two school buses the District entered into during the fiscal year 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 3,078,680	\$ 3,156,579	\$ (77,899)	(2.47) %
Payment in lieu of taxes	69,628	163,387	(93,759)	(57.38) %
Tuition	502,113	480,269	21,844	4.55 %
Earnings on investments	40	113	(73)	(64.60) %
Intergovernmental	2,337,518	2,311,143	26,375	1.14 %
Other revenues	<u>274,232</u>	<u>253,065</u>	<u>21,167</u>	8.36 %
Total	<u>\$ 6,262,211</u>	<u>\$ 6,364,556</u>	<u>\$ (102,345)</u>	(1.61) %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,594,202	\$ 3,618,368	\$ (24,166)	(0.67) %
Support services	2,467,112	2,633,190	(166,078)	(6.31) %
Extracurricular activities	186,559	182,609	3,950	2.16 %
Capital outlay	-	152,410	(152,410)	(100.00) %
Debt service	<u>37,528</u>	<u>36,287</u>	<u>1,241</u>	3.42 %
Total	<u>\$ 6,285,401</u>	<u>\$ 6,622,864</u>	<u>\$ (337,463)</u>	(5.10) %

***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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$4,999,188 and final budgeted revenues and other financing sources were \$5,408,710. Actual revenues and other financing sources for fiscal year 2014 were \$5,411,219. This represents an increase of \$2,509 from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures and other financing uses) of \$5,033,849 were increased to \$5,513,682 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2014 of \$5,524,683 increased \$ 11,001 from the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$4,339,478 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, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 543,600	\$ 543,600
Land improvements	86,783	101,998
Building and improvements	3,507,924	3,812,998
Furniture and equipment	57,144	67,581
Vehicles	144,027	188,184
Total	\$ 4,339,478	\$ 4,714,361

Overall, capital assets decreased \$374,883. This decrease is due to depreciation expense of \$374,883 during 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, 2014, the District had \$125,363 in energy conservation notes, \$1,680,000 in certificates of participation, and \$91,383 in capital lease obligations outstanding. Of this total, \$219,849 is due within one year and \$1,676,897 is due within greater than one year. The following table summarizes the notes, certificates, capital lease outstanding:

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2014	2013
Energy conservation notes	\$ 125,363	\$ 258,512
Capital lease obligation	91,383	119,936
Certificates of participation	1,680,000	1,740,000
Total	\$ 1,896,746	\$ 2,118,448

See Note 10 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, 2014  
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**Current Financial Related Activities**

The District relies heavily upon local revenue and property taxes. The finances have been stable over the past few years. The District was successful in renewing two emergency levies in November of 2011. 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, 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 citizens, 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 POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 666,360
Receivables:	
Property taxes . . . . .	3,628,771
Payment in lieu of taxes . . . . .	42,000
Accounts. . . . .	2,387
Intergovernmental . . . . .	76,269
Materials and supplies inventory. . . . .	8,509
Capital assets:	
Nondepreciable capital assets . . . . .	543,600
Depreciable capital assets, net. . . . .	3,795,878
Capital assets, net . . . . .	<u>4,339,478</u>
Total assets. . . . .	<u>8,763,774</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	84,588
Accrued wages and benefits payable . . . . .	552,466
Pension obligation payable. . . . .	123,370
Intergovernmental payable . . . . .	29,496
Accrued interest payable . . . . .	16,830
Claims payable. . . . .	10,318
Long-term liabilities:	
Due within one year. . . . .	285,343
Due in more than one year. . . . .	1,858,927
Total liabilities . . . . .	<u>2,961,338</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,210,836
Payment in lieu of taxes levied for the next . . . . .	
fiscal year. . . . .	42,000
Total deferred inflows of resources . . . . .	<u>3,252,836</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	2,442,732
Restricted for:	
Capital projects . . . . .	5,991
Debt service. . . . .	99,187
State funded programs. . . . .	116
Federally funded programs . . . . .	6,482
Student activities . . . . .	1,764
Other purposes . . . . .	112,314
Unrestricted (deficit) . . . . .	(118,986)
Total net position. . . . .	<u>\$ 2,549,600</u>

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, 2014

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,896,642	\$ 513,105	\$ 16,545	\$ (2,366,992)
Special . . . . .	616,392	-	346,425	(269,967)
Vocational . . . . .	116,065	-	662	(115,403)
Other . . . . .	446,041	-	-	(446,041)
Support services:				
Pupil . . . . .	123,333	-	-	(123,333)
Instructional staff . . . . .	125,775	-	-	(125,775)
Board of education . . . . .	130,908	-	-	(130,908)
Administration . . . . .	467,586	-	-	(467,586)
Fiscal . . . . .	302,458	-	-	(302,458)
Business . . . . .	22,680	-	-	(22,680)
Operations and maintenance . . . . .	1,009,850	59,077	-	(950,773)
Pupil transportation . . . . .	351,612	-	-	(351,612)
Operation of non-instructional services:				
Food service operations . . . . .	166,582	82,217	99,813	15,448
Extracurricular activities . . . . .	221,381	36,348	8,889	(176,144)
Interest and fiscal charges . . . . .	101,535	-	-	(101,535)
<b>Total governmental activities . . . . .</b>	<b>\$ 7,098,840</b>	<b>\$ 690,747</b>	<b>\$ 472,334</b>	<b>(5,935,759)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				3,174,527
Debt service . . . . .				134,222
Payments in lieu of taxes . . . . .				69,628
Grants and entitlements not restricted to specific programs . . . . .				2,160,994
Investment earnings . . . . .				40
Miscellaneous . . . . .				191,738
<b>Total general revenues . . . . .</b>				<b>5,731,149</b>
Change in net position . . . . .				(204,610)
<b>Net position at beginning of year . . . . .</b>				<b>2,754,210</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 2,549,600</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 411,023	\$ 255,337	\$ 666,360
Receivables:			
Property taxes. . . . .	3,576,860	51,911	3,628,771
Payment in lieu of taxes . . . . .	42,000	-	42,000
Accounts . . . . .	2,223	164	2,387
Intergovernmental. . . . .	44,849	31,420	76,269
Materials and supplies inventory. . . . .	-	8,509	8,509
Total assets . . . . .	<u>\$ 4,076,955</u>	<u>\$ 347,341</u>	<u>\$ 4,424,296</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 82,044	\$ 2,544	\$ 84,588
Accrued wages and benefits payable . . . . .	513,394	39,072	552,466
Compensated absences payable . . . . .	14,184	-	14,184
Intergovernmental payable . . . . .	27,891	1,605	29,496
Pension obligation payable . . . . .	110,696	12,674	123,370
Claims payable . . . . .	10,318	-	10,318
Total liabilities. . . . .	<u>758,527</u>	<u>55,895</u>	<u>814,422</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	3,164,903	45,933	3,210,836
Delinquent property tax revenue not available. . . . .	407,310	5,911	413,221
Payment in lieu of taxes levied for the next fiscal year. . . . .	42,000	-	42,000
Intergovernmental revenue not available. . . . .	30,909	-	30,909
Total deferred inflows of resources . . . . .	<u>3,645,122</u>	<u>51,844</u>	<u>3,696,966</u>
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	-	8,509	8,509
Restricted:			
Debt service . . . . .	-	100,743	100,743
Capital improvements . . . . .	-	5,991	5,991
Food service operations . . . . .	-	115,377	115,377
Special education . . . . .	-	1,622	1,622
Targeted academic assistance . . . . .	-	5,480	5,480
State programs . . . . .	-	116	116
Extracurricular activities . . . . .	-	1,764	1,764
Unassigned (deficit) . . . . .	<u>(326,694)</u>	<u>-</u>	<u>(326,694)</u>
Total fund balances (deficit) . . . . .	<u>(326,694)</u>	<u>239,602</u>	<u>(87,092)</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 4,076,955</u>	<u>\$ 347,341</u>	<u>\$ 4,424,296</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	(87,092)
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,339,478
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	413,221	
Intergovernmental receivable		30,909	
Total		444,130	444,130
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(16,830)
Long-term liabilities, including notes, certificates, and capital leases, are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participation		(1,680,000)	
Energy conservation notes		(125,363)	
Capital lease obligation		(91,383)	
Compensated absences		(233,340)	
Total		(2,130,086)	(2,130,086)
<b>Net position of governmental activities</b>		\$	2,549,600

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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 3,078,680	\$ 143,659	\$ 3,222,339
Payment in lieu of taxes . . . . .	69,628	-	69,628
Tuition . . . . .	502,113	-	502,113
Earnings on investments . . . . .	40	4	44
Charges for services . . . . .	-	82,217	82,217
Extracurricular . . . . .	12,425	23,923	36,348
Classroom materials and fees . . . . .	10,992	-	10,992
Rental income . . . . .	59,077	-	59,077
Other local revenues . . . . .	191,738	8,889	200,627
Intergovernmental - state . . . . .	2,337,518	5,149	2,342,667
Intergovernmental - federal . . . . .	-	294,521	294,521
Total revenues . . . . .	<u>6,262,211</u>	<u>558,362</u>	<u>6,820,573</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,640,477	15,547	2,656,024
Special . . . . .	455,295	161,057	616,352
Vocational . . . . .	51,564	-	51,564
Other . . . . .	446,866	-	446,866
Support services:			
Pupil . . . . .	122,275	-	122,275
Instructional staff . . . . .	129,488	-	129,488
Board of education . . . . .	130,908	-	130,908
Administration . . . . .	459,086	-	459,086
Fiscal . . . . .	299,316	-	299,316
Business . . . . .	22,680	-	22,680
Operations and maintenance . . . . .	999,112	-	999,112
Pupil transportation . . . . .	304,247	-	304,247
Operation of non-instructional services:			
Food service operations . . . . .	-	162,619	162,619
Extracurricular activities . . . . .	186,559	32,646	219,205
Debt service:			
Principal retirement . . . . .	28,553	193,149	221,702
Interest and fiscal charges . . . . .	8,975	100,576	109,551
Total expenditures . . . . .	<u>6,285,401</u>	<u>665,594</u>	<u>6,950,995</u>
Excess of expenditures over revenues . . . . .	<u>(23,190)</u>	<u>(107,232)</u>	<u>(130,422)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	146,000	146,000
Transfers (out) . . . . .	(146,000)	-	(146,000)
Total other financing sources (uses) . . . . .	<u>(146,000)</u>	<u>146,000</u>	<u>-</u>
Net change in fund balances . . . . .	(169,190)	38,768	(130,422)
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>(157,504)</u>	<u>200,834</u>	<u>43,330</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (326,694)</u>	<u>\$ 239,602</u>	<u>\$ (87,092)</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, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	(130,422)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Current year depreciation	(374,883)	
Total	(374,883)	(374,883)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	86,410	
Intergovernmental	(12,753)	
Total	73,657	73,657
Repayment of notes, certificates and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certificates of participation	60,000	
Energy conservation notes	133,149	
Capital lease obligation	28,553	
Total	221,702	221,702
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
Accrued interest payable	8,016	
Total	8,016	8,016
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(2,680)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(204,610)</b>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,998,588	\$ 2,064,363	\$ 2,064,363	\$ -
Payment in lieu of taxes. . . . .	59,000	69,628	69,628	-
Tuition. . . . .	515,000	502,113	502,113	-
Earnings on investments . . . . .	100	40	40	-
Extracurricular. . . . .	12,500	12,425	12,425	-
Rental income . . . . .	56,000	59,077	59,077	-
Other local revenues . . . . .	105,000	131,504	134,013	2,509
Intergovernmental - state . . . . .	1,763,000	1,724,288	1,724,288	-
Total revenues . . . . .	<u>4,509,188</u>	<u>4,563,438</u>	<u>4,565,947</u>	<u>2,509</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,306,196	2,325,814	2,336,815	(11,001)
Special. . . . .	60,609	77,086	77,086	-
Vocational. . . . .	51,579	51,626	51,626	-
Other. . . . .	306,219	426,599	426,599	-
Support services:				
Pupil. . . . .	121,063	117,030	117,030	-
Instructional staff . . . . .	144,455	130,546	130,546	-
Board of education . . . . .	94,177	115,738	115,738	-
Administration. . . . .	451,429	450,568	450,568	-
Fiscal . . . . .	258,785	249,277	249,277	-
Business. . . . .	35,000	29,680	29,680	-
Operations and maintenance. . . . .	639,468	628,353	628,353	-
Pupil transportation . . . . .	261,245	257,944	257,944	-
Extracurricular activities. . . . .	156,624	152,368	152,368	-
Debt service:				
Principal retirement. . . . .	-	350,000	350,000	-
Interest and fiscal charges. . . . .	-	5,053	5,053	-
Total expenditures . . . . .	<u>4,886,849</u>	<u>5,367,682</u>	<u>5,378,683</u>	<u>(11,001)</u>
Excess of expenditures over revenues. . . . .	<u>(377,661)</u>	<u>(804,244)</u>	<u>(812,736)</u>	<u>(8,492)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	40,000	82,564	82,564	-
Transfers in . . . . .	450,000	412,708	412,708	-
Transfers (out). . . . .	(147,000)	(146,000)	(146,000)	-
Sale of notes. . . . .	-	350,000	350,000	-
Total other financing sources (uses) . . . . .	<u>343,000</u>	<u>699,272</u>	<u>699,272</u>	<u>-</u>
Net change in fund balance . . . . .	(34,661)	(104,972)	(113,464)	(8,492)
<b>Fund balance at beginning of year . . . . .</b>	167,163	167,163	167,163	-
<b>Prior year encumbrances appropriated . . . . .</b>	52,511	52,511	52,511	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 185,013</u>	<u>\$ 114,702</u>	<u>\$ 106,210</u>	<u>\$ (8,492)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 5,877	\$ 18,722
Receivables:		
Accounts . . . . .	-	73
Total assets. . . . .	5,877	\$ 18,795
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 52
Due to students. . . . .	-	18,743
Total liabilities . . . . .	-	\$ 18,795
<b>Net position:</b>		
Held in trust for scholarships . . . . .	5,877	
Total net position. . . . .	\$ 5,877	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	\$ 1,750
Change in net position . . . . .	(1,750)
<b>Net position at beginning of year. . . . .</b>	<b>7,627</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 5,877</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, 2014

**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 currently operates 1 elementary school and 1 comprehensive middle and high school. The District is staffed by 42 certified and 28 noncertified personnel to provide services to approximately 528 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’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” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed 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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

North East Ohio Management Information Network

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

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board which consists of ten voting members: the Trumbull and Ashtabula County ESC's 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 Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

*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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's only major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

**D. Basis of Accounting**

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

*Revenues - Exchange and 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.

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, 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 July 1, 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 2014.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary comparison statements at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; 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 2014, 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 2014 amounted to \$40, which includes \$12 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance 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.

**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 position, 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. The District maintains a capitalization threshold of \$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 position. At June 30, 2014, the District had no interfund balances outstanding.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014, 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. Certificates of participation, notes, and capital lease obligations are recognized as a liability on the fund financial statements when due.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**L. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also involves the long-term balance of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2014.

**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. 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.

**Q. 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 2014.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficit:

<u>Major fund</u>	<u>Deficit</u>
General fund	\$ 326,694

The deficit fund balance resulted from adjustments for accrued liabilities. These deficits should be eliminated by future revenues not recognized under GAAP at fiscal year-end.

**NOTE 4 - DEPOSITS**

State statutes classify monies held by the District into three categories.

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

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above 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 note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$690,959. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$491,756 of the District's bank balance of \$741,756 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 to the Statement of Net Position**

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 position as of June 30, 2014:

<u>Cash per note disclosure</u>	
Carrying amount of deposits	<u>\$ 690,959</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 666,360
Private purpose trust fund	5,877
Agency fund	<u>18,722</u>
Total	<u>\$ 690,959</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental fund from:</u>	<u>Amount</u>
General fund	<u>\$ 146,000</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$4,647 in the general fund and \$67 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$8,290 in the general fund and \$409 in the bond retirement 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 delinquent tangible personal property taxes which are measurable as of June 30, 2014 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 deferred inflows.

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 reported as a deferred inflow.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 87,825,530	88.92	\$ 86,849,320	88.11
Public utility personal	<u>10,945,370</u>	<u>11.08</u>	<u>11,720,030</u>	<u>11.89</u>
Total	<u>\$ 98,770,900</u>	<u>100.00</u>	<u>\$ 98,569,350</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$42.90		\$42.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 consisted of property taxes, payment in lieu of taxes, accounts and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

<u>Governmental activities:</u>	<u>Amount</u>
Property taxes	\$ 3,628,771
Payment in lieu of taxes	42,000
Intergovernmental	76,269
Accounts	<u>2,387</u>
Total	<u>\$ 3,749,427</u>

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

**LORDSTOWN LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<b><u>Governmental activities:</u></b>	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/14</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 543,600	\$ -	\$ -	\$ 543,600
<i>Total capital assets, not being depreciated</i>	<u>543,600</u>	<u>-</u>	<u>-</u>	<u>543,600</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	973,872	-	-	973,872
Buildings and improvements	17,667,769	-	-	17,667,769
Equipment and furniture	292,788	-	-	292,788
Vehicles	928,632	-	(225,578)	703,054
<i>Total capital assets, being depreciated</i>	<u>19,863,061</u>	<u>-</u>	<u>(225,578)</u>	<u>19,637,483</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(871,874)	(15,215)	-	(887,089)
Buildings and improvements	(13,854,771)	(305,074)	-	(14,159,845)
Equipment and furniture	(225,207)	(10,437)	-	(235,644)
Vehicles	(740,448)	(44,157)	225,578	(559,027)
<i>Total accumulated depreciation</i>	<u>(15,692,300)</u>	<u>(374,883)</u>	<u>225,578</u>	<u>(15,841,605)</u>
Total capital assets, net	<u>\$ 4,714,361</u>	<u>\$ (374,883)</u>	<u>\$ -</u>	<u>\$ 4,339,478</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 230,367
Vocational	64,484
<u>Support services:</u>	
Administration	2,630
Operations and maintenance	26,163
Pupil transportation	47,391
Extracurricular activities	640
Food service operations	<u>3,208</u>
Total depreciation expense	<u>\$ 374,883</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - CAPITAL LEASE - LESSEE DISCLOSURE**

During a prior year, the District entered into a capital lease for two school buses. This lease agreement meets the criteria of capital lease as defined by GASB which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$152,410. 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, 2014 was \$28,577 and the book value was \$123,833. A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in fiscal year 2014 totaled \$28,553 and \$3,922, respectively, and were paid out of the general fund. This lease carries an interest rate of 3.27%.

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, 2014:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 32,474
2016	32,474
2017	<u>32,475</u>
Total	97,423
Less: amount representing interest	<u>(6,040)</u>
Present value	<u>\$ 91,383</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

**A. Energy Conservation Notes**

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 are 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, 2014:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Balance 06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amount Due in One Year</u>
HB 264 energy notes	3.95-5.99%	Various	\$ 258,512	\$ -	\$ (133,149)	\$ 125,363	\$ 125,363

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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
2015	\$ 125,363	\$ 7,085	\$ 132,448

**B. Certificates of Participation**

The certificates of participation (COPs) were issued to repay an OASBO lease purchase agreement. The COPs range in interest rates from 2.75-5.50% and mature in fiscal year 2032.

The following is a summary of the District's future annual debt service requirements to maturity for the certificates of participation:

Fiscal Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2015	\$ 65,000	\$ 83,537	\$ 148,537
2016	65,000	81,343	146,343
2017	65,000	78,743	143,743
2018	70,000	76,043	146,043
2019	75,000	73,143	148,143
2020 - 2024	410,000	310,923	720,923
2025 - 2029	535,000	185,764	720,764
2030 - 2032	395,000	33,414	428,414
Total	<u>\$ 1,680,000</u>	<u>\$ 922,910</u>	<u>\$ 2,602,910</u>

**C. Summary of Long-Term Obligations**

During the fiscal year ended June 30, 2014, the following changes occurred in the governmental activities long-term obligations.

<u>Governmental activities:</u>	Balance			Balance 06/30/14	Amount Due in One Year
	06/30/13	Additions	Reductions		
Energy conservation notes	\$ 258,512	\$ -	\$ (133,149)	\$ 125,363	\$ 125,363
Certificates of participation	1,740,000	-	(60,000)	1,680,000	65,000
Capital lease obligation	119,936	-	(28,553)	91,383	29,486
Compensated absences	317,450	21,491	(91,417)	247,524	65,494
Total long-term obligations	<u>\$ 2,435,898</u>	<u>\$ 21,491</u>	<u>\$ (313,119)</u>	<u>\$ 2,144,270</u>	<u>\$ 285,343</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**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, 2014 are a legal voted debt margin of \$8,971,985 (including available funds of \$100,743), a legal unvoted debt margin of \$98,569, and a legal energy conservation debt margin of \$761,761.

**NOTE 11 - TAX ANTICIPATION NOTES**

On January 15, 2014, the District issued short-term tax anticipation notes (Series 2014) for the purpose of cash flow borrowing. Issuance proceeds totaled \$350,000. Principal and interest payments on the tax anticipation notes were made on June 24, 2014, out of the general fund.

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014
Tax Anticipation Notes, Series 2014	\$ -	\$ 350,000	\$ (350,000)	\$ -

**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:

Years of Service	Days of Vacation
1 to 9	10
10 to 14	15
15 and up	20

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - EMPLOYEE BENEFITS - (Continued)**

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

Certified and noncertified employees who have accrued at least 270 days of sick leave and used ten or less sick days in the final two years of employment with the District shall receive a payment equal to ninety days. Otherwise, the employees shall receive a payment of one-third of their unused sick leave up to a maximum of seventy days.

Certified employees must have at least five years of service with the District to receive severance pay.

**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:	Ohio School Plan		
Each occurrence		\$ 2,000,000	\$2,500
Aggregate		4,000,000	0
Property	Ohio School Plan	49,089,433	1,000
Fleet:	Ohio School Plan		
Comprehensive		Actual Cash Value	1,000/250
Collision		Actual Cash Value	1,000/250
Boiler and machinery	Ohio School Plan	49,089,433	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.

**B. Employee Group Medical, Dental, and Vision Insurance**

The District provides employees medical and dental benefits through fully insured plans with commercial insurance carriers. The District's medical plan, administered by Medical Mutual, is a high deductible plan with a Health Savings Account for pre tax dollars to pay for deductibles. The deductibles for fiscal year 2014 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 \$533.14 for single coverage, \$1,216.47 for employees/spouse coverage, \$934.09 for employee/dependent coverage and \$1,646.96 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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 \$10,318 reported in the general fund at June 30, 2014 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>
2014	\$ 2,651	\$ 88,187	\$ (80,520)	\$ 10,318
2013	7,893	-	(5,242)	2,651

**C. Workers' Compensation**

For fiscal year 2014, 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.

**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*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 14 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 and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$110,261, \$109,791 and \$101,039, respectively; 79.64 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$309,927, \$329,956 and \$345,907, respectively; 84.79 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$14,296 made by the District and \$11,233 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, 2014 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 Section 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the 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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$16,925, \$16,364 and \$19,786, respectively; 79.64 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$6,397, \$6,202 and \$5,967, respectively; 79.64 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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), under "Publications" 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 2014, 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, 2014, 2013 and 2012 were \$23,841, \$25,381 and \$26,608, respectively; 84.79 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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	\$ (113,464)
Net adjustment for revenue accruals	11,463
Net adjustment for expenditure accruals	853,439
Net adjustment for other sources/uses	(845,272)
Funds budgeted elsewhere	(157,064)
Adjustment for encumbrances	<u>81,708</u>
GAAP basis	<u>\$ (169,190)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the adult education fund, the emergency levy fund, the public school support fund and the district agency fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	87,296
Current year qualifying expenditures	(85,654)
Current year offsets	<u>(1,642)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 121,897
Nonmajor governmental funds	<u>1,495</u>
Total	<u>\$ 123,392</u>

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, OH 44481

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 16, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist.

### ***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

April 16, 2015



# 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  
MAY 12, 2015**