



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Weathersfield Local School District  
3750 North Main Street  
Mineral Ridge, Ohio 44440

We have audited the accompanying general-purpose financial statements of the Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Weathersfield Local School District, Trumbull County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

January 3, 2002

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WEATHERSFIELD LOCAL SCHOOL DISTRICT  
 TRUMBULL COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General	Fixed Assets	General Long-Term Obligations		
<b>ASSETS AND OTHER DEBITS</b>											
ASSETS:											
Equity in pooled cash and cash equivalents . . . . .	1,472,583	123,277	61,895	3,295,198	36,455	19,424					5,008,832
Receivables (net of allowances of uncollectibles):											
Taxes - current & delinquent . . . . .	4,116,750		217,172								4,333,922
Accounts . . . . .	10,099	1,067			607						11,773
Accrued interest . . . . .	199										199
Interfund loans receivable . . . . .	66,557										66,557
Due from other governments . . . . .		89,159			13,657						102,816
Prepayments . . . . .	16,315				6,720						16,315
Materials and supplies inventory . . . . .											6,720
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	33,107										33,107
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					18,005		8,734,111				8,752,116
OTHER DEBITS:											
Amount available in debt service fund . . . . .								61,895			61,895
Amount to be provided for retirement of general long-term obligations . . . . .									1,426,669		1,426,669
Total assets and other debits . . . . .	5,715,610	213,503	279,067	3,295,198	75,444	19,424	8,734,111	1,488,564			19,820,921

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

--Continued

WEATHERSFIELD LOCAL SCHOOL DISTRICT  
 TRUMBULL COUNTY, OHIO  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)  
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type			Account Groups			Total Memorandum (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General	Fixed Assets	Long-Term Obligations	General			
										Fixed Assets	Long-Term Obligations		
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>													
LIABILITIES:													
Accounts payable . . . . .	139,077	7,500		26,952	324								173,853
Contracts payable . . . . .	33,380			344,868									378,248
Accrued wages and benefits . . . . .	551,594	27,450			19,404								598,448
Compensated absences payable . . . . .	59,561				14,884								535,238
Pension obligation payable . . . . .	96,852	4,804			7,926					460,793			149,713
Interfund loans payable . . . . .		56,875			9,682					40,131			66,557
Deferred revenue . . . . .	4,083,759	4,280	215,432		4,417								4,307,888
Due to students . . . . .								19,424					19,424
Bond anticipation note payable . . . . .				2,000,000									2,000,000
Energy conservation loan payable . . . . .										37,640			37,640
Lease-purchase agreement payable . . . . .										950,000			950,000
<b>Total liabilities . . . . .</b>	<b>4,964,223</b>	<b>100,909</b>	<b>215,432</b>	<b>2,371,820</b>	<b>56,637</b>	<b>19,424</b>	<b>1,488,564</b>	<b>19,424</b>	<b>8,734,111</b>	<b>16,087</b>	<b>1,161,069</b>	<b>16,315</b>	<b>9,217,009</b>
<b>EQUITY AND OTHER CREDITS:</b>													
Investment in general fixed assets . . . . .									8,734,111				8,734,111
Contributed capital . . . . .								2,720					2,720
Retained earnings: unreserved . . . . .								16,087					16,087
Fund balances:													
Reserved for encumbrances . . . . .	222,504	49,781		888,784									1,161,069
Reserved for prepayments . . . . .	16,315												16,315
Reserved for tax revenue unavailable for appropriation . . . . .	32,991		1,740										34,731
Reserved for debt service . . . . .			61,895										61,895
Reserved for Budget Stabilization . . . . .	33,107												33,107
Unreserved-undesignated . . . . .	446,470	62,813		34,594									543,877
<b>Total equity and other credits . . . . .</b>	<b>751,387</b>	<b>112,594</b>	<b>63,635</b>	<b>923,378</b>	<b>18,807</b>	<b>19,424</b>	<b>8,734,111</b>	<b>18,807</b>	<b>8,734,111</b>	<b>75,444</b>	<b>1,488,564</b>	<b>1,488,564</b>	<b>10,603,912</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>5,715,610</b>	<b>213,503</b>	<b>279,067</b>	<b>3,295,198</b>	<b>75,444</b>	<b>19,424</b>	<b>8,734,111</b>	<b>75,444</b>	<b>8,734,111</b>	<b>1,488,564</b>	<b>1,488,564</b>	<b>1,488,564</b>	<b>19,820,921</b>

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



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	3,893,961		95,847		3,989,808
Earnings on investments . . . . .	115,633			32,073	147,706
Extracurricular . . . . .		77,620			77,620
Contributions and donations . . . . .				71,334	71,334
Other local revenues . . . . .	66,703	28,332		9,100	104,135
Intergovernmental - State . . . . .	3,793,891	116,602	5,341	73,729	3,989,563
Intergovernmental - Federal . . . . .		333,202			333,202
<b>Total revenue . . . . .</b>	<b><u>7,870,188</u></b>	<b><u>555,756</u></b>	<b><u>101,188</u></b>	<b><u>186,236</u></b>	<b><u>8,713,368</u></b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	3,669,320	58,314		45,828	3,773,462
Special . . . . .	306,468	175,712			482,180
Other . . . . .	301,518				301,518
Support services:					
Pupil . . . . .	472,249	2,229			474,478
Instructional staff . . . . .	192,917	17,259			210,176
Board of education . . . . .	10,681				10,681
Administration . . . . .	636,970	8,277			645,247
Fiscal . . . . .	221,959	683	1,002		223,644
Business . . . . .	16,623				16,623
Operations and maintenance . . . . .	964,235	17,531		484,307	1,466,073
Pupil transportation . . . . .	448,345				448,345
Central . . . . .		13,930			13,930
Extracurricular activities . . . . .	149,614	92,901		24,564	267,079
Facilities acquisition and construction . . . . .	310,717			55,908	366,625
Debt service:					
Principal retirement . . . . .	4,304		37,530		41,834
Interest and fiscal charges . . . . .	199		3,571		3,770
<b>Total expenditures . . . . .</b>	<b><u>7,706,119</u></b>	<b><u>386,836</u></b>	<b><u>42,103</u></b>	<b><u>610,607</u></b>	<b><u>8,745,665</u></b>
Excess (deficiency) of revenues					
over (under) expenditures . . . . .	164,069	168,920	59,085	(424,371)	(32,297)
other financing sources over (under)					
expenditures and other financing uses . . . . .	164,069	168,920	59,085	(424,371)	(32,297)
Other financing sources (uses):					
Operating transfers out . . . . .	(423,549)				(423,549)
Operating transfers in . . . . .		22,848		400,701	423,549
Proceeds from lease-purchase					
agreement . . . . .				950,000	950,000
Proceeds from sale of fixed assets . . . . .				1,656	1,656
<b>Total other financing sources (uses) . . . . .</b>	<b><u>(423,549)</u></b>	<b><u>22,848</u></b>		<b><u>1,352,357</u></b>	<b><u>951,656</u></b>
Excess (deficiency) of revenues and other					
financing sources over (under) expenditures					
and other financing uses . . . . .	(259,480)	191,768	59,085	927,986	919,359
Fund balances (deficit), July 1 . . . . .	1,010,867	(79,174)	4,550	(4,608)	931,635
Fund balances, June 30 . . . . .	<u>751,387</u>	<u>112,594</u>	<u>63,635</u>	<u>923,378</u>	<u>1,850,994</u>

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

WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:	Revised Budget	Actual	Variance:
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	3,944,968	3,865,047	(79,921)		94,107	94,107									
Earnings on investments.....	144,695	141,737	(2,958)												
Extracurricular.....				77,621	77,621	(81)									
Contributions and donations.....				27,637	27,265	(372)									
Other local revenues.....	68,166	66,803	(1,363)	116,602	116,602	302									
Intergovernmental - State.....	3,844,585	3,767,703	(76,882)	231,623	248,323	16,700									
Intergovernmental - Federal.....				453,262	469,811	16,549									
Total revenues.....	8,002,414	7,841,290	(161,124)	453,262	469,811	16,549	99,464	99,448	(16)	185,624	186,236	612	8,740,764	8,596,785	(143,979)
Expenditures:															
Current:															
Instruction:															
Regular.....	3,802,742	3,694,909	107,833	31,969	34,001	(2,032)									
Special.....	291,104	290,642	462	172,791	172,827	164									
Other.....	306,612	304,104	2,508												
Support services:															
Pupil.....	499,666	490,126	9,540	18,714	17,827	887									
Instructional staff.....	244,712	220,479	24,233	16,142	16,105	37									
Board of Education.....	11,178	10,674	504												
Administration.....	722,964	690,719	32,245	15,883	14,753	1,130									
Fiscal.....	259,635	232,201	27,434	684	683	1									
Business.....	16,695	16,694	1												
Operations and maintenance.....	1,169,968	1,060,290	109,678	13,585	13,556	29									
Pupil transportation.....	577,560	513,747	63,813	32,000	39,500	(7,500)									
Central.....	150,795	150,458	337	113,675	117,049	(3,374)									
Extracurricular activities.....	1,016,258	565,273	450,985												
Debt service:															
Facilities acquisition and construction .....															
Principal retirement.....				37,530	37,530										
Interest and fiscal charges.....				3,575	3,571	4									
Total expenditures.....	9,069,889	8,240,316	829,573	415,443	426,101	(10,658)	42,110	42,103	7	1,523,821	1,497,563	26,258	11,051,263	10,206,063	845,180
Excess (deficiency) of revenues over (under) expenditures.....	(1,067,475)	(399,026)	668,449	37,819	43,710	5,891	57,354	57,345	(9)	(1,338,197)	(1,311,327)	26,870	(2,310,499)	(1,609,298)	701,201
Other financing sources (uses):															
Refund of prior year's expenditures.....	29,804	29,208	(596)												
Refund of prior year's receipts.....				(2,113)	(2,113)										
Proceeds from sale of notes.....															
Proceeds from lease-purchase agreement.....															
Operating transfers in.....	(425,000)	(423,549)	1,451	17,696	22,848	5,152									
Operating transfers out.....															
Advances in.....															
Advances out.....															
Proceeds from sale of fixed assets.....															
Total other financing sources (uses).....	(395,196)	(296,903)	98,293	15,583	(48,123)	(63,706)									
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses.....	(1,462,671)	(695,929)	766,742	53,402	(4,413)	(67,815)	57,354	57,345	(9)	2,015,579	2,002,767	(12,812)	663,664	1,359,770	696,106
Fund balances, July 1.....	1,000,516	1,000,516		51,337	51,337		4,550	4,550		33,655	33,655		1,090,058	1,090,058	
Prior year encumbrances appropriated.....	806,142	806,142		21,692	21,692								827,834	827,834	
Fund balances, June 30.....	343,987	1,110,729	766,742	126,431	68,616	(67,815)	61,904	61,895	(9)	2,049,234	2,036,422	(12,812)	2,581,556	3,277,662	696,106

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND EQUITY**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Operating revenues:	
Tuition and fees . . . . .	25,653
Sales/charges for services . . . . .	172,710
Total operating revenues . . . . .	198,363
Operating expenses:	
Personal services . . . . .	162,674
Purchased services . . . . .	4,578
Materials and supplies . . . . .	157,990
Depreciation . . . . .	952
Other operating expenses . . . . .	5,558
Total operating expenses . . . . .	331,752
Operating loss . . . . .	(133,389)
Nonoperating revenues:	
Operating grants . . . . .	105,966
Federal commodities . . . . .	18,837
Interest revenue . . . . .	1,160
Total nonoperating revenues . . . . .	125,963
Operating transfer in . . . . .	
Net loss . . . . .	(7,426)
Retained earnings, July 1 . . . . .	23,513
Retained earnings, June 30 . . . . .	16,087
Contributed capital, June 30 . . . . .	2,720
Total Fund Equity, June 30 . . . . .	18,807

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
COMBINED STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
Cash flows from operating activities:	
Cash received from tuition and fees . . . . .	25,046
Cash received from sales/service charges . . . . .	172,710
Cash payments for personal services. . . . .	(165,310)
Cash payments for purchased services . . . . .	(4,254)
Cash payments for materials and supplies . . . . .	(139,616)
Cash payments for other expenses . . . . .	(5,662)
	(117,086)
Cash flows from noncapital financing activities:	
Cash received from operating grants . . . . .	105,597
Cash received from interfund loans . . . . .	9,682
	115,279
Cash flows from investing activities:	
Interest received . . . . .	1,160
	1,160
Net decrease in cash and cash equivalents. . . . .	(647)
Cash and cash equivalents at beginning of year. . . . .	37,102
Cash and cash equivalents at end of year . . . . .	36,455
Reconciliation of operating loss	
to net cash used in operating activities:	
Operating loss. . . . .	(133,389)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation . . . . .	952
Federal donated commodities . . . . .	18,837
Interest reported as operating income . . . . .	
Changes in assets and liabilities:	
Increase in materials and supplies inventory. . . . .	(3,299)
Increase in accounts receivable . . . . .	(607)
Decrease in prepayments . . . . .	2,885
Decrease in accounts payable . . . . .	(5,700)
Increase in accrued wages and benefits . . . . .	2,466
Increase in compensated absences payable . . . . .	307
Decrease in pension obligation payable. . . . .	(2,270)
Increase in deferred revenue. . . . .	2,732
	(117,086)

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Weathersfield 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 governed by a locally elected five member Board of Education (the "Board") and provides educational services as mandated by State or Federal agencies. The Board controls the District's three instructional/support facilities.

The District ranks as the 478<sup>th</sup> largest by total enrollment among the 682 public and community school districts in the State of Ohio. The District is staffed by 33 non-certificated and 79 certificated personnel to provide services to approximately 1,125 students and other community members.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

*JOINTLY GOVERNED ORGANIZATIONS*

Northeast Ohio Management Information Network (NEOMIN)

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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The Weathersfield Local School District was not represented on the Governing Board during fiscal year 2000. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Northeast Ohio Instructional Media Center (NEOIMC)

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

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

Region 12 Professional Development Center (Center)

The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improving instructional programs.

*PUBLIC ENTITY RISK POOL*

Trumbull County Insurance Consortium (Consortium)

The District participates in the Consortium. The Consortium is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis with note disclosure of accruals, that in another fund type, would be recognized on the combined balance sheet (See Note 3.C.).

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund type level of expenditures. Budgetary modifications made outside the primary level of budgetary control may only be made by resolution of the Board of Education.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund type level (which is the legal level of budgetary control). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund type appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among objects, functions and funds may be modified during the year without approval of the Board. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types" are provided on the budgetary basis to facilitate a comparison of actual results to the final budget, including all amendments and modifications. Although the legal level of budgetary control was established at the fund type level, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying GPFS. Note \_17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note \_14 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be re-appropriated.

**E. Cash and Cash Equivalents**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During 2001, investments were limited to repurchase agreements and U.S. government money market mutual funds. All investments are reported at fair market value except for nonparticipating investment contracts, such as repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$115,633, which includes \$45,378 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Inventory**

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used. The balance of materials and supplies inventory for the governmental funds at June 30, 2001 was not material and not presented on the GPFS.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the general fixed assets account group. The District has a policy of not capitalizing assets with a cost less than \$500. Donated fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure. The District has elected not to record depreciation in the general fixed assets account group. 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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost less than \$500. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated life to the residual value assigned at the time of purchase

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5 - 20

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

**I. Intergovernmental Revenues**

In governmental funds, entitlements and non-reimbursable grants (to the extent eligibility requirements were met by year-end and the amounts were received in the available period) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems  
Title I  
Title VI  
Title IV  
Onenet Ohio  
Summer Intervention  
Wellness Grant  
Eisenhower Grant  
Title VI-B  
Teacher Development  
Title VI-R  
Disadvantaged Pupil Impact Aid

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 49% of the District's operating revenue during the 2001 fiscal year.

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified, certified and administrative employees after fifteen years of service.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the general long-term obligations account group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

**K. Long-Term Obligations**

In general, governmental funds payables and accrued liabilities are reported as obligations of the funds regardless of whether they are liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payment made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Capital leases, the lease-purchase agreement, and the early retirement incentive are recognized as a liability of the general long-term obligations account group until resources have been accumulated in the fund for payment early in the following year.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**L. Fund Balance Reserves**

Reserved or designated fund balances indicate that portion of fund equity which are not available for current appropriation or use. The unreserved and undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

Fund balances are reserved for encumbrances, debt service, prepayments, Bureau of Workers Compensation (BWC) refunds and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. Interfund Transactions**

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

See Note 5 for an analysis of interfund transactions.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

**O. Estimates**

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

**P. Memorandum Only - Total Columns**

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**B. Deficit Fund Balances/Retained Earnings**

Fund balances/retained earnings at June 30, 2001 included the following fund deficits:

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title IV \$3,577	
Miscellaneous Federal Grants	2,704
DPIA	9,010
Miscellaneous State Grants	9,599
 <u>Enterprise Funds</u>	
Food Service	1,005

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the DPIA special revenue fund is caused by accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Title IV, Miscellaneous Federal Grants and Miscellaneous State Grants special revenue funds are caused by reporting short-term interfund loans from other funds as a liability rather than as an "other financing source." These deficits will be eliminated as intergovernmental revenues are received to repay these interfund loans.

The deficit retained earnings in the food service enterprise fund is caused by reporting short-term interfund loans from other funds as a liability rather than as "other non-operating revenue". This deficit will be eliminated by future user charges that will repay the short-term loan.

**C. Agency Fund**

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

<u>ASSETS</u>	
Accounts receivable	\$ 15
<u>LIABILITIES</u>	
Accounts payable	1,035

**D. Restatement**

The General Long-Term Obligations Account Group balance at June 30, 2000 was restated due to the removal of a capital lease balance that did not exist at the District. The General Long-Term Obligations Account Group balance at June 30, 2001 is restated at \$582,492.

Restatements of the General Fixed Asset Account Group and Proprietary Fund Fixed Assets have been made at June 30, 2000. See Note 8 for a further explanation.

**E. Legal Compliance**

Contrary to Ohio Revised Code Section 5705.41(B), the District had expenditures that exceeded appropriations throughout the year in several funds.

Also, Contrary to Ohio Revised Code Section 5705.36, the District did not certify to the county auditor the total amount from all sources which is available for expenditures until April 12, 2001.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". State statutes require the classification of monies held by the District into three categories:

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Interim monies may be 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE - (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rates in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At fiscal year end, the District had \$100 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year end, the carrying amount of the District's deposits was \$(35,584) and the bank balance was \$71,518. The District did not record a liability due to the "zero balance" nature of the account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in U.S. Government money market mutual funds are uncatagorized investments since they are not evidenced by securities that exist in physical or book entry form.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$3,046,715</u>	\$3,046,715	\$3,046,715
U.S. Government money market mutual fund		2,030,708	2,030,708
Total investments		<u>\$5,077,423</u>	<u>\$5,077,423</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 5,041,939	\$ 0
Investments in the Cash Management Pool:		
U.S. Government money market mutual fund	(2,030,708)	2,030,708
Repurchase agreement	(3,046,715)	3,046,715
Cash on hand	(100)	---
GASB Statement No. 3	<u>\$ (35,584)</u>	<u>\$5,077,423</u>

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$66,557	\$ ---
<u>Special Revenue Funds</u>		
Professional Development Block Grant	---	10,000
Title VI-B	---	10,200
Title I	---	18,600
Title IV	---	3,975
Title VI-R	---	14,100
<u>Enterprise Funds</u>		
Food Service	---	9,682
Total	<u>\$66,557</u>	<u>\$66,557</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**4. INTERFUND TRANSACTIONS - (Continued)**

B. The following is a summarized breakdown of the District's operating transfers for fiscal 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$423,549
<u>Special Revenue Funds</u>		
Rotary	5,000	---
Extracurricular	17,839	---
Professional Development Block Grant	9	---
<u>Capital Projects Funds</u>		
Power Up	30,701	---
Joe Lane Stadium Project	<u>370,000</u>	<u>---</u>
Total	<u>\$423,549</u>	<u>\$423,549</u>

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$109,004,389. Agricultural/Residential and public utility/minerals real estate represented \$43,147,180 or 39.58 % of this total; Commercial & Industrial real estate represented \$12,197,520 or 11.18% of this total, public utility tangible represented \$11,850,230 or 10.87% of this total and general tangible property represented \$41,809,459 or 38.37% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$ 48.67 per \$1,000.00 of assessed valuation for operations, and \$1.60 per \$1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The District receives property taxes from Trumbull and Mahoning counties. The County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2001, was \$34,731 and is recorded as revenue and reserved fund balance.

**7. RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, interfund loans, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements (to the extent eligibility requirements were met by year-end). Intergovernmental receivables have been recorded as "Due From Other Governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$4,116,750
Accounts	10,099
Accrued interest	199
Interfund loans	66,557
 <u>Special Revenue Funds</u>	
Accounts	1,067
Due from other governments	89,159
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	217,172
 <u>Enterprise Funds</u>	
Accounts	607
Due from other governments	13,657

**8. FIXED ASSETS**

Due to errors and omissions in the amounts previously reported in the general fixed assets account group, a restatement is required to properly state the balances at July 1, 2000.

	<u>Balance June 30, 2000</u>	<u>Adjustment</u>	<u>Balance July 1, 2000</u>
Land/improvements	\$ 88,334	\$ 480,335	\$ 568,669
Buildings/improvements	4,784,454	(205,263)	4,579,191
Furniture and equipment	2,278,892	(21,733)	2,257,159
Vehicles	472,018	22,801	494,819
 Total	 <u>\$7,623,698</u>	 <u>\$ 276,140</u>	 <u>\$7,899,838</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**8. FIXED ASSETS-** (Continued)

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Restated Balance <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2001</u>
Land/improvements	\$ 568,669	\$ ---	\$ ---	\$ 568,669
Buildings/improvements	4,579,191	1,621	---	4,580,812
Furniture and equipment	2,257,159	236,658	(6,268)	2,487,549
Vehicles	494,819	53,392	---	548,211
Construction in Progress	<u>0</u>	<u>548,870</u>	<u>---</u>	<u>548,870</u>
Total	<u>\$7,899,838</u>	<u>\$840,541</u>	<u>\$(6,268)</u>	<u>\$8,734,111</u>

The construction in progress represents cost incurred by June 30, 2001 to construct the Joe Lane Stadium Complex.

Due to errors and omissions in the amounts previously reported in the proprietary fixed assets, a restatement is required to properly state the balances at July 1, 2000.

	Balance <u>June 30, 2000</u>	<u>Adjustment</u>	Balance <u>July 1, 2000</u>
Furniture and equipment	\$185,160	\$(83,731)	\$101,429
Less Accumulated Depreciation	<u>(166,203)</u>	<u>(83,731)</u>	<u>(82,472)</u>
Net Fixed Assets	<u>\$18,957</u>	<u>0</u>	<u>\$18,957</u>

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 101,429
Less: accumulated depreciation	<u>(83,424)</u>
Net fixed assets	<u>\$ 18,005</u>

**9. LEASE - PURCHASE AGREEMENT**

On June 28, 2001, the District entered into a lease-purchase agreement with the Weathersfield School Building Corporation (the "Corporation") for the financing of the reconstruction and improvement of the Joe Lane Sports Complex. The source of revenue to fund the principal and interest payments is derived from various donations, advertising and contributions from the District's general fund. During fiscal year 2001, the District made no principal payments or interest payments on the lease-purchase agreement.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. LEASE - PURCHASE AGREEMENT**

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of construction in progress have been capitalized in the general fixed assets account group in the amount of \$548,870. This amount represents the costs of the reconstruction and improvements of Joe Lane Stadium funded by the lease-purchase agreement that were incurred prior to June 30, 2001.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30, 2001</u>	<u>Amount</u>
2002	\$ 86,268
2003	86,268
2004	86,268
2005	86,268
2006	86,268
2007 - 2011	431,339
2012 - 2016	<u>431,338</u>
Total	<u>1,294,017</u>
Less: amount representing interest	<u>(344,017)</u>
Present value of minimum lease payments	<u>\$ 950,000</u>

In conjunction with the lease-purchase agreement, the District entered into a ground-lease agreement whereby the District subleases the real property upon which the reconstruction and improvements are being made to the Corporation. The District is the lessor and the Corporation is the lessee under the ground-lease agreement. The ground-lease commenced on June 28, 2001 and terminates on December 1, 2015, or earlier upon the termination of the lease-purchase agreement or the District's exercise to take advantage of the purchase option.

**10. LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group:

	<u>Restated Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Energy Conservation Loan	\$ 75,170	\$ - - -	\$ (37,530)	\$ 37,640
Compensated absences	452,999	7,794	- - -	460,793
Pension obligation payable	54,323	40,131	(54,323)	40,131
Lease-purchase agreement payable	<u>0</u>	<u>950,000</u>	<u>- - -</u>	<u>950,000</u>
Total	<u>\$582,492</u>	<u>\$997,925</u>	<u>\$(91,853)</u>	<u>\$1,488,564</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

On October 7, 1993, the District obtained a loan for \$267,214 for the purpose of providing energy conservation measures for the District. The loan was issued for an eight year period with final maturity during fiscal year 2002. The loan bears an interest rate of 4.75% and is being retired from the debt service fund.

Principal and interest payments necessary to retire this energy conservation loan are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	<u>\$37,640</u>	<u>\$1,655</u>	<u>\$39,295</u>

Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences will be paid from the fund from which the employees' salaries are paid. The pension obligation payable represents contractually required pension contributions made outside the available period and will be paid from the fund from which the employee is paid. The lease-purchase agreement will be paid from the Joe Lane Stadium Complex capital projects fund.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$9,810,395 and an unvoted debt margin of \$109,044.

**11. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25% of unused accumulated sick leave days up to 180 days plus 13% of sick leave days in excess of 180 days.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**11. EMPLOYEE BENEFITS - (Continued)**

**B. Early Retirement Incentive**

The District has offered its certified personnel an early retirement incentive (ERI). The ERI is effective for the period July 16, 2000 through July 15, 2003. All certified employees who first attain 30 years of service or attain 25 - 29 years of service and age 55 during the ERI period are eligible. Upon election to retire, the District will pay one-third of the employee's contractual salary, excluding supplemental salaries and extended time. The ERI benefit is paid in two installments, twelve months apart. The first installment is made within 30 days after the District receives evidence of receipts of the first retirement payment from the State Teachers Retirement System. As of June 30, 2001, three employees have elected to take the ERI. The liability for the ERI benefit paid to these employees in the available period is recorded as "compensated absences payable" in the fund from which the employee was paid. The remainder is recorded in the general long-term obligation account group.

**C. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Certified employees are covered up to \$35,000, classified employees are covered up to \$30,000 and bus drivers are covered up to \$22,000.

**12. RISK MANAGEMENT**

**A. Property, Fleet, and Liability Insurance**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Indiana Insurance for property insurance and inland marine coverage; and with Nationwide Insurance for fleet and liability insurance. Coverages are as follows:

***M. Canon Hunt Insurance provider for:***

Building and Contents - replacement cost (\$500 deductible)	\$21,715,979
Inland Marine Coverage (\$100 deductible)	
Boiler Insurance (\$250 deductible)	
Crime Insurance	3,000

***Nationwide - Jim Lewis Insurance provider for:***

Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence 1,000,000/1,000,000	

***Nationwide - Harcum-Hyre Insurance provider for:***

Fleet Liability 1,000,000/5,000,000	
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Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. RISK MANAGEMENT - (Continued)**

**B. Medical, Dental, Vision and Drug Benefits**

The District has contracted with the Trumbull County School Employee Insurance Benefits Consortium to provide employee medical, prescription drug, vision and dental benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts. Rates are set through an annual calculation process. Weathersfield Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The following table summarizes the monthly premiums:

	<u>Family Coverage</u>	<u>Single Coverage</u>
Medical and prescription drug	\$733.81	\$293.59
Medical only	610.44	234.68
Prescription drug only	123.37	58.91
Vision	8.28	3.00
Dental	61.59	17.38

The District pays 90% of the premium after one year of employment, 95% after two years of employment and 100% after three years of employment. The plan utilizes a \$2 deductible for name brand and generic drugs.

**C. Worker's Compensation**

The District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the State GRP. A participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selective criteria. The firm of Gates McDonald & Co provides administrative, cost control and actuarial services to the GRP.

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS - (Continued)**

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 172,710	\$25,653	\$ 198,363
Operating expenses before depreciation	306,358	24,442	330,800
Depreciation	952	- - -	952
Operating income (loss)	(134,600)	1,211	(133,389)
Operating grants	105,966	- - -	105,966
Federal donated commodities	18,837	- - -	18,837
Net income (loss)	(8,637)	1,211	(7,426)
Net working capital	(1,406)	17,092	15,686
Total assets	58,352	17,092	75,444
Total liabilities	56,637	- - -	56,637
Contributed capital	2,720	- - -	2,720
Total equity	1,715	17,092	18,807
Encumbrances at 06/30/01	5,336	207	5,543

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**14. DEFINED BENEFIT PENSION PLANS**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$35,287, \$41,163, and \$60,599, respectively; 46% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$19,123, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2001; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$323,605, \$178,815, and \$175,488, respectively; 83% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$56,186, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**15. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$153,287 during fiscal 2001.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

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

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$85,336 during the 2001 fiscal year.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. BUDGETARY BASIS OF ACCOUNTING**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over/(Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(695,929)	\$ (4,413)	\$57,345	\$ 2,002,767
Net adjustment for revenue accruals	28,898	85,945	1,740	---
Net adjustment for expenditure accruals	139,236	(15,396)	---	(371,820)
Net adjustment for other financing sources (uses)	(126,646)	70,971	---	(1,961,737)
Encumbrances (budget basis)	<u>394,961</u>	<u>54,661</u>	<u>---</u>	<u>1,258,776</u>
GAAP basis	<u><u>\$(259,480)</u></u>	<u><u>\$191,768</u></u>	<u><u>\$59,085</u></u>	<u><u>\$ 927,986</u></u>

**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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**17. CONTINGENCIES**

**C. State School Funding Decision**

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 3, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**18. STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 0	\$ 0	\$ 33,107
Current year set-aside requirement	173,159	173,159	---
Qualifying disbursements	<u>(301,091)</u>	<u>(919,175)</u>	<u>---</u>
Total	<u>\$(127,932)</u>	<u>\$(746,016)</u>	<u>\$ 33,107</u>
Cash balance carried forward to FY 2002	<u>\$(127,932)</u>	<u>\$ 0</u>	<u>\$ 33,107</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. STATUTORY RESERVES - (Continued)**

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

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

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for Budget Stabilization	<u>\$33,107</u>
Total restricted assets	<u>\$33,107</u>

**19. NOTES PAYABLE**

On March 1, 2001, the District issued \$2,000,000 in bond anticipation notes to begin the renovations and improvements to the Seaburn elementary school. These notes bore an annual interest rate of 4.55% and had a scheduled maturity of August 30, 2001. These bond anticipation notes are recorded as a liability of the capital project funds, the funds which received the proceeds. A summary of bond anticipation note transactions for the year ended June 30, 2001 follows:

	Principal Outstanding June 30, 2000	Additions	Reductions	Principal Outstanding June 30, 2001
<u>Capital Projects Funds</u>				
Bond Anticipation Notes - 4.55%	<u>\$ 0</u>	<u>\$2,000,000</u>	<u>\$ 0</u>	<u>\$2,000,000</u>

**20. SIGNIFICANT SUBSEQUENT EVENTS**

On August 1, 2001, the District "rolled over" the bond anticipation notes described in Note 20. The scheduled maturity on the new \$2,000,000 in bond anticipation notes is January 31, 2002. On November 28, 2001, 20 year General Obligation Bonds were sold to Butler Wick & Co. Inc. for \$2,073,440.49.





STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Weathersfield Local School District  
3750 North Main Street  
Mineral Ridge, Ohio 44440

We have audited the financial statements of the Weathersfield Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2001-11178-001 and 2001-11178-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 3, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 3, 2002.

Weathersfield Local School District  
Trumbull County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

January 3, 2002

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**2001-11178-001**

1. **Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The legal level of budgetary control for the District is the level at which the District adopts the original appropriation measure.

Expenditures exceeded appropriations throughout the year at the fund level, the District's budgetary level of control, until a final appropriation measure was filed on June 27, 2001. The unfavorable variances as of June 26, 2001 are listed below:

Fund Type	Total Appropriations	Total Actual Expenditures	Unfavorable Variance
Special Revenue	679,883	846,148	(166,265)
Capital Projects	38,263	96,347	(58,084)
Expendable Trust	0	1,401,217	(1,401,217)

The Treasurer should monitor expenditures throughout the year at the budgetary level of control to ensure that they do not exceed the appropriations approved by the Board of Education.

**2001-11178-002**

2. **Ohio Rev. Code Section 5705.36** states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the proceeding year.

The required certificate was not filed until April 12, 2001.

This certificate is used in by the county budget commission in part to certify estimated available resources which serves to limit the appropriations of the District. When the certificate of estimated resources is not established in a timely manner, the Board of Education can not monitor the budget vs. actual receipt activity throughout the year, and the Board of Education does not have the most current estimate upon which to base appropriations. The Treasurer should ensure the certificate of sources available is filed with the County Auditor at the beginning of each fiscal year.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u> ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2000-11178-001	Monthly financial and depository reconciliations were not being preformed.	Yes	N/A



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WEATHERSFIELD 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  
FEBRUARY 12, 2002**