



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Fund Type	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Similar Fiduciary Fund Type	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types	14
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types	15
Combined Statement of Cash Flows - All Proprietary Fund Types	18
Notes to the General-Purpose Financial Statements	19
Report on Compliance and on Internal Control Required by Government Auditing Standards	45
Schedule of Findings	47

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INDEPENDENT ACCOUNTANTS' REPORT

Western Reserve Local School District
Mahoning County
13850 Akron-Canfield Road
Berlin Center, OH 44401

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Western Reserve Local School District, Mahoning County, (the District) as of and for the year ended June 30, 1999. 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the District's accounting records, we were unable to satisfy ourselves regarding the financial activities of the student fund raiser activities accounted for in the Student Managed Activity Funds. Student Managed Activity Funds are included in the agency fund type, and represent 100 percent of the assets of the agency fund type.

In our opinion, except for such adjustment, if any, as might have been determined to be necessary had student fund raiser activities accounted for in the Student Managed Activity Funds been susceptible to satisfactory audit tests, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Western Reserve Local School District, Mahoning County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2001 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

February 20, 2001

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WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$539,447	\$85,785	\$275,648	\$51,971
Receivables:				
Taxes	1,762,183		172,351	26,682
Intergovernmental				
Accrued Interest	1,250			
Inventory Held for Resale				
Materials and Supplies				
Inventory	60,373			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	139,518			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service				
Fund for Retirement of General				
Obligations				
Amount to be Provided from				
General Government Resources				
Total Assets and Other Debits	\$2,502,771	\$85,785	\$447,999	\$78,653

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$37,735	\$8,808	\$19,439			\$1,018,833
					1,961,216
10,042					10,042
					1,250
2,653					2,653
					61,941
1,568					139,518
					3,942,531
9,564			\$3,932,967		
				\$275,648	275,648
				562,668	562,668
<u>\$61,562</u>	<u>\$8,808</u>	<u>\$19,439</u>	<u>\$3,932,967</u>	<u>\$838,316</u>	<u>\$7,976,300</u>

(continued)

WESTERN RESERVE LOCAL SCHOOL DISTRICT
 MAHONING COUNTY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities,				
Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$27,047	\$5,613		
Accrued Wages and Benefits	355,706	2,070		
Compensated Absences Payable	9,734			
Intergovernmental Payable	78,959	147		
Deferred Revenue	1,762,183		\$172,351	26,682
Undistributed Monies				
Due to Students				
Claims Payable				
Capital Leases Payable				
Energy Conservation Loan Payable				222,049
General Obligation Bonds Payable				
Total Liabilities	2,233,629	7,830	172,351	248,731
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	81,604	7,817		
Reserved for Inventory	60,373			
Reserved for Textbooks	18,052			
Reserved for Bus Purchases	55,893			
Reserved for Budget Stabilization	65,573			
Unreserved, Undesignated (Deficit)	(12,353)	70,138	275,648	(170,078)
Total Fund Equity (Deficit) and Other Credits	269,142	77,955	275,648	(170,078)
Total Liabilities, Fund Equity and Other Credits	\$2,502,771	\$85,785	\$447,999	\$78,653

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$1,641					\$34,301
14,309					372,085
4,966				\$425,845	440,545
9,285				32,451	120,842
3,285					1,964,501
		\$4			4
		15,178			15,178
	\$576				576
				80,020	80,020
					222,049
				300,000	300,000
<u>33,486</u>	<u>576</u>	<u>15,182</u>		<u>838,316</u>	<u>3,550,101</u>
			3,932,967		3,932,967
28,076	8,232				36,308
					89,421
					60,373
					18,052
					55,893
					65,573
		4,257			167,612
<u>28,076</u>	<u>8,232</u>	<u>4,257</u>	<u>3,932,967</u>		<u>4,426,199</u>
<u>\$61,562</u>	<u>\$8,808</u>	<u>\$19,439</u>	<u>\$3,932,967</u>	<u>\$838,316</u>	<u>\$7,976,300</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues						
Taxes	\$1,702,143		\$114,094	\$55,000		\$1,871,237
Intergovernmental	2,378,790	\$124,350	12,485	23,369		2,538,994
Interest	36,960					36,960
Tuition and Fees	22,967					22,967
Extracurricular Activities	5,088	62,507				67,595
Contributions and Donations	30,526	12,450			500	43,476
Rentals	674					674
<i>Total Revenues</i>	<u>4,177,148</u>	<u>199,307</u>	<u>126,579</u>	<u>78,369</u>	<u>500</u>	<u>4,581,903</u>
Expenditures						
Current:						
Instruction:						
Regular	2,015,247	26,132				2,041,379
Special	172,530	27,983				200,513
Vocational	63,582					63,582
Adult/Continuing		11,383			2,000	13,383
Support Services:						
Pupils	164,459	29,956				194,415
Instructional Staff	131,566	16,737				148,303
Board of Education	25,940					25,940
Administration	487,945	54,633				542,578
Fiscal	164,401					164,401
Business	10,007					10,007
Operation and Maintenance of Plant	385,554					385,554
Pupil Transportation	276,343	220				276,563
Central	30,956	1,706				32,662
Operation of Non-Instructional Services		24				24
Extracurricular Activities	129,521	40,659				170,180
Capital Outlay	257,136			230,807		487,943
Debt Service:						
Principal Retirement	14,159		75,000			89,159
Interest and Fiscal Charges	4,894		28,816	16,297		50,007
<i>Total Expenditures</i>	<u>4,334,240</u>	<u>209,433</u>	<u>103,816</u>	<u>247,104</u>	<u>2,000</u>	<u>4,896,593</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(157,092)</u>	<u>(10,126)</u>	<u>22,763</u>	<u>(168,735)</u>	<u>(1,500)</u>	<u>(314,690)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	1,815					1,815
Inception of Capital Lease	83,500					83,500
Operating Transfers In		4,385				4,385
Operating Transfers Out	(4,385)					(4,385)
<i>Total Other Financing Sources (Uses)</i>	<u>80,930</u>	<u>4,385</u>				<u>85,315</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(76,162)</u>	<u>(5,741)</u>	<u>22,763</u>	<u>(168,735)</u>	<u>(1,500)</u>	<u>(229,375)</u>
<i>Fund Balances (Deficit) Beginning of Year (Restated Note 3)</i>	344,234	83,696	252,885	(1,343)	5,757	685,229
Decrease in Reserve for Inventory	1,070					1,070
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$269,142</u>	<u>\$77,955</u>	<u>\$275,648</u>	<u>(\$170,078)</u>	<u>\$4,257</u>	<u>\$456,924</u>

See accompanying notes to the general purpose financial statements

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WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Taxes	\$1,812,276	\$1,702,143	(\$110,133)
Intergovernmental	2,402,417	2,402,417	
Interest	40,825	40,825	
Tuition and Fees	22,967	22,967	
Extracurricular Activities	5,088	5,088	
Contributions and Donations	30,526	30,526	
Rentals	674	674	
<i>Total Revenues</i>	<u>4,314,773</u>	<u>4,204,640</u>	<u>(110,133)</u>
Expenditures			
Current:			
Instruction:			
Regular	2,126,816	2,010,463	116,353
Special	171,101	171,101	
Vocational	67,675	67,675	
Adult/Continuing			
Support Services:			
Pupils	161,629	161,629	
Instructional Staff	136,122	136,122	
Board of Education	26,344	26,344	
Administration	488,687	488,687	
Fiscal	165,371	165,371	
Business	29,060	29,060	
Operation and Maintenance of Plant	399,050	399,050	
Pupil Transportation	344,935	344,935	
Central	30,956	30,956	
Operation of Non-Instructional Services			
Extracurricular Activities	131,483	131,483	
Capital Outlay	184,130	184,130	
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<i>Total Expenditures</i>	<u>4,463,359</u>	<u>4,347,006</u>	<u>116,353</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(148,586)</u>	<u>(142,366)</u>	<u>6,220</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Fixed Assets	1,815	1,815	
Operating Transfers In			
Operating Transfers Out	(4,385)	(4,385)	
<i>Total Other Financing Sources (Uses)</i>	<u>(2,570)</u>	<u>(2,570)</u>	
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(151,156)</u>	<u>(144,936)</u>	<u>6,220</u>
<i>Fund Balances Beginning of Year</i>	659,742	659,742	
Prior Year Encumbrances Appropriated	55,831	55,831	
<i>Fund Balances End of Year</i>	<u>\$564,417</u>	<u>\$570,637</u>	<u>\$6,220</u>

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$124,350	\$124,350		\$169,094 12,485	\$169,094 12,485	
62,507 12,450	62,507 12,450				
199,307	199,307		181,579	181,579	
31,154 28,029	31,154 28,029				
11,383	11,383				
33,788 17,893	33,788 17,893				
62,385	54,875				
220 4,829	220 1,697	3,132			
24 44,463	24 44,463				
			113,703 45,113	113,703 45,113	
234,168	223,526		158,816	158,816	
(34,861)	(24,219)		22,763	22,763	
4,385	4,385				
4,385	4,385				
(30,476)	(19,834)		22,763	22,763	
71,462	71,462		252,885	252,885	
21,788	21,788				
\$62,774	\$73,416		\$275,648	\$275,648	

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WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1999

	Capital Projects Funds			Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes						
Intergovernmental	\$4,900	\$23,369	\$18,469			
Interest						
Tuition and Fees						
Extracurricular Activities						
Contributions and Donations				\$500	\$500	
Rentals						
<i>Total Revenues</i>	4,900	23,369	18,469	500	500	
Expenditures						
Current:						
Instruction:						
Regular						
Special						
Vocational						
Adult/Continuing				2,000	2,000	
Other						
Support Services:						
Pupils						
Instructional Staff						
Board of Education						
Administration						
Fiscal						
Business						
Operation and Maintenance of Plant						
Pupil Transportation						
Central						
Operation of Non-Instructional						
Services						
Extracurricular Activities						
Capital Outlay	285,185	254,278	30,907			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<i>Total Expenditures</i>	285,185	254,278	30,907	2,000	2,000	
<i>Excess of Revenues Over (Under) Expenditures</i>	(280,285)	(230,909)	49,376	(1,500)	(1,500)	
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets						
Operating Transfers In						
Operating Transfers Out						
<i>Total Other Financing Sources (Uses)</i>						
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(280,285)	(230,909)	49,376	(1,500)	(1,500)	
<i>Fund Balances Beginning of Year</i>	255,902	255,902		5,757	5,757	
Prior Year Encumbrances Appropriated	26,978	26,978				
<i>Fund Balances End of Year</i>	\$2,595	\$51,971	\$49,376	\$4,257	\$4,257	

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,981,370	\$1,871,237	(\$110,133)
2,544,152	2,562,621	18,469
40,825	40,825	
22,967	22,967	
67,595	67,595	
43,476	43,476	
674	674	
4,701,059	4,609,395	(91,664)
2,157,970	2,041,617	116,353
199,130	199,130	
67,675	67,675	
13,383	13,383	
195,417	195,417	
154,015	154,015	
26,344	26,344	
551,072	543,562	7,510
165,371	165,371	
29,060	29,060	
399,050	399,050	
345,155	345,155	
35,785	32,653	3,132
24	24	
175,946	175,946	
469,315	438,408	30,907
113,703	113,703	
45,113	45,113	
5,143,528	4,985,626	157,902
(442,469)	(376,231)	66,238
1,815	1,815	
4,385	4,385	
(4,385)	(4,385)	
1,815	1,815	
(440,654)	(374,416)	66,238
1,245,748	1,245,748	
104,597	104,597	
\$909,691	\$975,929	\$66,238

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues			
Sales	\$125,266		\$125,266
Charges for Services		\$6,569	6,569
Other	3,916		3,916
	<u>129,182</u>	<u>6,569</u>	<u>135,751</u>
Operating Expenses			
Salaries	68,290		68,290
Fringe Benefits	33,644		33,644
Purchased Services	3,520		3,520
Materials and Supplies	1,577		1,577
Cost of Sales	72,109		72,109
Depreciation	3,150		3,150
Claims		5,317	5,317
	<u>182,290</u>	<u>5,317</u>	<u>187,607</u>
<i>Total Operating Expenses</i>	<u>182,290</u>	<u>5,317</u>	<u>187,607</u>
<i>Operating Income (Loss)</i>	<u>(53,108)</u>	<u>1,252</u>	<u>(51,856)</u>
Non-Operating Revenues			
Federal Donated Commodities	2,084		2,084
Interest	441		441
Operating Grants	36,839		36,839
	<u>39,364</u>	<u></u>	<u>39,364</u>
<i>Total Non-Operating Revenues</i>	<u>39,364</u>	<u></u>	<u>39,364</u>
<i>Net Income (Loss)</i>	<u>(13,744)</u>	<u>1,252</u>	<u>(12,492)</u>
<i>Retained Earnings Beginning of Year</i>	<u>41,820</u>	<u>6,980</u>	<u>48,800</u>
<i>Retained Earnings at End of Year</i>	<u>\$28,076</u>	<u>\$8,232</u>	<u>\$36,308</u>

See accompanying notes to the general purpose financial statements

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Sales	\$125,266	\$125,266	
Charges for Services			
Interest	441	441	
Operating Grants	37,922	37,922	
Other Revenue	3,916	3,916	
<i>Total Revenues</i>	<u>167,545</u>	<u>167,545</u>	
Expenses			
Salaries	67,295	67,295	
Fringe Benefits	38,065	38,065	
Purchased Services	3,520	3,520	
Materials and Supplies	71,297	71,297	
Claims			
<i>Total Expenses</i>	<u>180,177</u>	<u>180,177</u>	
<i>Excess of Revenues Over (Under)Expenses</i>	(12,632)	(12,632)	
<i>Fund Equity Beginning of Year</i>	48,252	48,252	
Prior Year Encumbrances Appropriated	138	138	
<i>Fund Equity End of Year</i>	<u>\$35,758</u>	<u>\$35,758</u>	

(continued)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - BUDGET(NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Internal Service Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Sales			
Charges for Services	\$6,569	\$6,569	
Interest			
Operating Grants			
Other Revenue			
<i>Total Revenues</i>	<u>6,569</u>	<u>6,569</u>	
Expenses			
Salaries			
Fringe Benefits			
Purchased Services			
Materials and Supplies			
Claims	<u>5,145</u>	<u>5,145</u>	
<i>Total Expenses</i>	<u>5,145</u>	<u>5,145</u>	
<i>Excess of Revenues Over (Under)Expenses</i>	1,424	1,424	
<i>Fund Equity Beginning of Year</i>	7,266	7,266	
Prior Year Encumbrances Appropriated	<u>117</u>	<u>117</u>	
<i>Fund Equity End of Year</i>	<u><u>\$8,807</u></u>	<u><u>\$8,807</u></u>	

See accompanying notes to the general purpose financial statements

Totals
(Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$125,266	\$125,266	
6,569	6,569	
441	441	
37,922	37,922	
3,916	3,916	
<u>174,114</u>	<u>174,114</u>	
67,295	67,295	
38,065	38,065	
3,520	3,520	
71,297	71,297	
5,145	5,145	
<u>185,322</u>	<u>185,322</u>	
(11,208)	(11,208)	
55,518	55,518	
<u>255</u>	<u>255</u>	
<u><u>\$44,565</u></u>	<u><u>\$44,565</u></u>	

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Enterprise	Internal Service	Totals (Memorandum Only)
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$125,266		\$125,266
Cash Received from Quasi-External Transactions with Other Funds		\$6,569	6,569
Cash Received from Other Operating Sources	3,916		3,916
Cash Payments to Suppliers for Goods and Services	(72,840)		(72,840)
Cash Payments to Employees for Services	(67,295)		(67,295)
Cash Payments for Employee Benefits	(38,065)		(38,065)
Cash Payments for Claims		(5,144)	(5,144)
	<u>(49,018)</u>	<u>1,425</u>	<u>(47,593)</u>
Cash Flows from Noncapital Financing Activities			
Operating Grants Received	37,922		37,922
	<u>37,922</u>		<u>37,922</u>
Cash Flows from Investing Activities			
Interest on Investments	441		441
	<u>441</u>		<u>441</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(10,655)	1,425	(9,230)
Cash and Cash Equivalents Beginning of Year	48,390	7,383	55,773
	<u>48,390</u>	<u>7,383</u>	<u>55,773</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$37,735</u>	<u>\$8,808</u>	<u>\$46,543</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	(\$53,108)	\$1,252	(\$51,856)
Adjustments:			
Depreciation	3,150		3,150
Donated Commodities Used During Year	2,084		2,084
Decrease in Assets:			
Materials and Supplies Inventory	9		9
Inventory Held for Resale	632		632
Increase/(Decrease) in Liabilities:			
Accounts Payable	1,641		1,641
Accrued Wages and Benefits	996		996
Compensated Absences Payable	(2,773)		(2,773)
Intergovernmental Payable	(1,648)		(1,648)
Claims Payable		173	173
	<u>4,091</u>	<u>173</u>	<u>4,264</u>
<i>Total Adjustments</i>	<u>4,091</u>	<u>173</u>	<u>4,264</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$49,017)</u>	<u>\$1,425</u>	<u>(\$47,592)</u>

See accompanying notes to the general purpose financial statements

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Western Reserve Local School District (the "School 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 School District operates under a locally elected five-member Board form of government. The School District provides educational services as mandated by State and/or federal agencies. The Board of Education controls the School District's three instructional/support facilities staffed by 30 classified employees, 52 certified employees and 4 administrators who provide services to 823 students and other community members.

The School District is located in Berlin Center, Ohio, Mahoning County. The enrollment for the School District during the 1999 fiscal year was 823. The School District operates one (K-4) elementary school, one middle school (5-8) and a high school (9-12).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Western Reserve Local School District, this includes general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is associated with two jointly governed organizations and two public entity risk pools. These organizations are the Mahoning County Joint Vocational School, Area Cooperative Computerized Educational Service System (ACCESS), Mahoning County Schools Employee Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 9 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School 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 more significant of the School District's accounting policies are described below.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

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

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

Special Revenue Funds 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 obligation principal, interest, and related costs.

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

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund type:

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Enterprise Funds Enterprise funds are used to account for School Districts activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been 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.

Internal Service Fund The internal service fund is used for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The School Districts fiduciary funds include expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 a general nature, the following account groups are used:

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

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds or trust fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., 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 operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The School District reports deferred revenues 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. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for rate determination.

Estimated Resources Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1998. Prior to year end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

Appropriations Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Prior to year end, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances in the majority of categories.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Encumbrances As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

During fiscal year 1999, investments were limited to non-negotiable certificates of deposits 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 1999 amounted to \$36,960, which includes \$15,298 assigned from other School 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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, and to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. Fund balance reserves have also been established.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, recreational materials and school supplies held for resale and are expensed when used.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

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.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life that ranges from five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues 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 revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

- Entitlements
 - General Fund
 - State Foundation Program
 - School Bus Purchase Reimbursement
 - State Property Tax Relief
 - Textbook and Materials Subsidy

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- Non-Reimbursable Grants
 - Special Revenue Funds
 - Professional Development Block Grant
 - Education Management Information Systems
 - Title I
 - Title III
 - Drug Free Schools
 - Title VI
 - Title VI-B
 - School Net Technology
 - Economic Grant
 - CIP School-to-Work Grant
 - Capital Projects Fund
 - School Net Plus
 - Technology Equity
 - Emergency School Building Repair
 - Reimbursable Grants
 - General Fund
 - Driver Education Reimbursement
 - Proprietary Funds
 - National School Lunch Program
 - Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately fifty-five percent of the School District's operating revenues during the 1999 fiscal year.

I. 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 School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for classified, certified and administrative employees after ten years of service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are generally considered not to have been made with current available financial resources. Capital leases and bonds are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund may be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, textbook purchases, school bus purchases and budget stabilization.

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Estimates

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Totals Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements 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, or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

During fiscal year 1998, capital leases were overstated by \$38,515. The balance of the General Long-Term Obligations Account Group at June 30, 1998 decreased from \$845,350 to \$806,535 due to this overstatement. Also during fiscal year 1999, the Energy Conservation Notes were overstated by \$199. The balance of the Capital Projects Fund at June 30, 1998 increased from (\$1,542) to (\$1,343) due to this overstatement.

4. FUND DEFICITS

Fund balances at June 30, 1999, including the following individual fund deficits:

Special Revenue Funds	
Title III	\$3
Title I	7
Capital Projects Fund - Emergency School Building	191,340

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

The Title I and Title III special revenue funds had deficit balances that resulted from accruals on the modified accrual basis of accounting. The general fund is liable for any fund deficits and provides operating transfers when cash is required, rather than when the accrual occurs.

The emergency school building capital projects fund deficit fund balance resulted from the energy conservation note payable. Once the notes are retired, the deficit will be eliminated.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING - (Continued)

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types and Similar Trust Fund				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$76,162)	(\$5,741)	\$22,763	(\$168,735)	(\$1,500)
Net Adjustment for Revenue Accruals	(56,008)				
Net Adjustment for Expenditure Accruals	95,562	(1,724)		(23,471)	
Reclassification for Debt Taxes Revenue			55,000	(55,000)	
Principal Retirement			(38,703)		
Interest and Fiscal Charges			(16,297)	16,297	
Encumbrances	(108,328)	(12,369)			
Budget Basis	(\$144,936)	(\$19,834)	\$22,763	(\$230,909)	(\$1,500)

	Net Income(Loss)/Excess of Revenues Over Expenses and Operating Transfers All Proprietary Fund Types	
	Enterprise	Internal Service
GAAP Basis	(\$13,744)	\$1,252
Net Adjustment for Revenue Accruals	(1,001)	
Net Adjustment for Expense Accruals	940	172
Depreciation Expense	3,150	
Adjustment for Encumbrances	(1,977)	
Budget Basis	(\$12,632)	\$1,424

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the 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 or deposit accounts including passbook accounts.

Protection of the School 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 to be deposited or invested in the following securities:

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

6. DEPOSITS AND INVESTMENTS - (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 School District, and must be purchased with the expectation that it will be held until maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

At year end, the carrying amount of the School District's deposits was \$1,158,351 and the bank balance was \$1,385,636. Of the bank balance:

1. \$107,459 was covered by federal depository insurance; and
2. \$1,278,177 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution trust department or agent in the School District's name all State statutory requirements for the deposit of money have been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Insurance Corporation.

Investments

The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. For purposes of classification under GASB Statement No. 3, the School District had no investments at year end.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

Real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 1999 taxes were collected are:

	1998 First Half Collections		1999 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$47,152,060	81.70%	\$49,246,350	81.74%
Public Utility Personal	7,973,320	13.82	8,115,130	13.47
Tangible Personal	2,589,290	4.48	2,884,890	4.79
	\$57,714,670	100.00%	\$60,246,370	100.00%
Tax Rate per \$1,000 of assessed valuation		\$47.85		\$47.15

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

7. PROPERTY TAXES - (Continued)

The School District receives property taxes from Mahoning County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Western Reserve Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. Nothing was available as an advance at June 30, 1999.

8. RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

The principal intergovernmental receivable was:

Intergovernmental Receivable	<u>Amount</u>
Food Service Enterprise Fund:	
Federal and State School Lunch Program	\$10,042

9. JOINTLY GOVERNED ORGANIZATIONS

A. Mahoning County Joint Vocational School

The Mahoning County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. Each school district's control is limited to its representation on the board. During fiscal year 1999, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Joint Vocational School, 7300 North Palmyra Road, Canfield, Ohio 44406.

B. Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to twenty-four school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based on a per pupil charge. Western Reserve Local School District contributed \$12,089 to ACCESS during fiscal year 1999. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 2801 Market Street, Youngstown, Ohio 44507.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

10. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

	Totals
Furniture and Equipment	\$63,245
Less accumulated depreciation	(53,681)
Net Fixed Assets	\$9,564

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land	\$29,784	\$0	\$0	\$29,784
Buildings and Improvements	2,369,118	215,108	0	2,584,226
Furniture and Equipment	717,520	153,944	0	871,464
Vehicles	447,493	0	0	447,493
Total	\$3,563,915	\$369,052	\$0	\$3,932,967

There was no significant construction in progress at June 30, 1999.

11. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance for property, boiler and machinery, computer equipment, musical instruments, and automobile. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$11,511,462
Boilers and Machinery (\$500 deductible)	1,000,000
Computer Equipment (\$250 deductible)	196,000
Musical Instruments (\$250 deductible)	155,000
Money and Securities	2,000
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
Umbrella	
Per occurrence	1,000,000
Total per year	3,000,000
General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

11. RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits since 1982. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Western Reserve 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 School District pays medical/surgical premiums of \$456.81 for family coverage and \$186.29 for single coverage per employee per month.

The School District has elected to provide vision, dental, and prescription drug benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews all claims which are then paid by the School District.

The School District pays into the insurance reserve internal service fund \$10.00 for family vision coverage or \$5.00 for single vision coverage per employee per month, \$52.62 for family dental coverage or \$22.93 for single dental coverage and \$118.47 for family and \$52.62 for single prescription drug coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$576 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount during the last three fiscal years were:

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

11. RISK MANAGEMENT - (Continued)

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1997	\$390	\$5,100	\$4,927	\$563
1998	563	2,815	2,975	403
1999	403	5,317	5,144	576

12. EMPLOYEE BENEFITS

A. Life Insurance

The School District provides life insurance to all regular employees. Coverage is \$40,000 for administrators and certified employees, and \$30,000 for classified employees and \$10,000 for spouses. Life insurance is provided through the Fortis Benefits Insurance Company.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers, classified employees, and administrators have unlimited accumulation.

Upon retirement, teachers receive payment for the following:

Payment in Days	Years of Service Requirement
10	10 to 14
15	15 to 19
20	20 to 24
25	25 to 29
30	30 or more

In addition, teachers also receive twelve percent of their total accumulated and unused sick leave at the time of retirement.

The Superintendent, upon retirement, shall receive payment based on the formula above with twelve additional days added to the formula.

Administrators with ten or more years of service will, upon retirement, receive payment for one-fourth of the accrued but unused sick leave up to the maximum of one-fourth of one hundred twenty days.

Classified employees with ten or more years of service shall, upon retirement, receive payment of twenty-five percent of unused sick leave not to exceed forty-eight days.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$65,282, \$73,507 and \$71,299 respectively; 45.04 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$42,097 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$147,688, \$256,116 and \$242,896, respectively; 81.85 percent has been contributed for fiscal year 1999, and 100 percent for fiscal years 1998 and 1997. \$22,686 represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

14. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$196,917 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to 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 percent the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 1999 fiscal year equaled \$63,257.

The surcharge, added to the unallocated portion of the 14 percent 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

15. FUND OBLIGATION

As of June 30, 1999, the School District had outstanding fund obligations for an energy conservation note of \$222,049. This note will be repaid with tax revenue. This note is backed by the full faith and credit of the School District. The note liabilities have been reflected in the permanent improvement capital projects fund, the fund which received the proceeds.

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Capital Projects Fund				
Energy Conservation Note 6.25%	\$260,752	\$0	\$38,703	\$222,049

Principal and interest payments necessary to retire this debt are as follows.

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	41,084	13,916	55,000
2001	43,690	11,310	55,000
2002	46,420	8,580	55,000
2003	49,322	5,678	55,000
2004	41,533	2,603	44,136
Total	<u>\$222,049</u>	<u>\$42,087</u>	<u>\$264,136</u>

16. LONG TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Long-Term Obligations				
General Obligation Bonds 8%	\$375,000	\$0	\$75,000	\$300,000
Compensated Absences	388,642	425,845	388,642	425,845
Pension Obligation	32,214	32,451	32,214	32,451
Capital Leases	10,679	83,500	14,159	80,020
Total General Long-Term Obligations	<u>\$806,535</u>	<u>\$541,796</u>	<u>\$510,015</u>	<u>\$838,316</u>

General Obligation Bonds - On August 4, 1994, Western Reserve Local School District issued \$400,000 in unvoted general obligation bonds for the purpose of building improvements for the School District. The bonds were issued for a ten year period with final maturity during fiscal year 2004. The bonds will be retired from the debt service fund.

General obligation bonds will be paid from the debt service fund. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid. Capital lease obligations will be paid from the general fund because it utilizes the assets.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

16. LONG TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	75,000	21,000	96,000
2001	75,000	15,000	90,000
2002	75,000	9,000	84,000
2003	75,000	3,000	78,000
Total	<u>\$300,000</u>	<u>\$48,000</u>	<u>\$348,000</u>

The School District's overall legal debt margin was \$5,397,821 with an unvoted debt margin of \$60,246 at June 30, 1999.

17. CAPITALIZED LEASES

In the current fiscal year, the School District entered into capitalized leases for copiers. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13, "Accounting for Leases". The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Year	General Long-Term Obligation
2000	20,052
2001	20,052
2002	20,052
2003	20,052
2004	15,039
Total Minimum Lease Payments	<u>95,247</u>
Less: Amount Representing Interest	<u>(15,227)</u>
Present Value of minimum lease payments	<u>\$80,020</u>

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$83,500 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

18. STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,164,361 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Commons pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized effects by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

19. PUBLIC ENTITY RISK POOLS

A. Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of thirteen Mahoning 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 elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

B. Insurance Purchasing Pool

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

20. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains three Enterprise funds to account for the operations of food service, uniform school supplies and a school newsletter. The table below reflects the more significant financial data relating to the enterprise funds of the Western Reserve Local School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	School Newsletter Enterprise	Totals
Operating Revenues	\$120,015	\$5,251	\$3,916	\$129,182
Depreciation	3,150	0	0	3,150
Operating Income (Loss)	(52,349)	968	(1,727)	(53,108)
Federal Donated Commodities	2,084	0	0	2,084
Operating Grants	36,839	0	0	36,839
Net Income (Loss)	(12,985)	968	(1,727)	(13,744)
Net Working Capital	16,147	1,272	1,094	18,513
Total Assets	57,555	1,272	2,735	61,562
Total Equity	25,710	1,272	1,094	28,076
Encumbrances at June 30, 1999	312	24	1,641	1,977

21. CONTINGENCIES

Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the School District at June 30, 1999.

22. SET-ASIDE CALCULATIONS AND FUND RESERVES

The Western Reserve Local School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purpose of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization. The School District also receives monies designated for school bus purchases. This amount is shown as a reserve for bus purchases.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

22. SET-ASIDE CALCULATIONS AND FUND RESERVES -(Continued)

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks, capital acquisitions, budget stabilization, and bus purchases. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside balance carried forward July 1,	\$0	\$0	\$33,166	
Current year set-aside requirement	65,201	65,201	32,407	
Current year offsets	(12,139)	0	0	
Qualifying expenditures	(35,010)	(174,348)	0	
Totals	<u>18,052</u>	<u>(109,147)</u>	<u>65,573</u>	
Cash Balance Carried Forward to FY 1999	<u>18,052</u>	<u>0</u>	<u>65,573</u>	\$83,625
Amount restricted for bus purchases				55,893
Total Restricted Assets				<u>\$139,518</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

23. SUBSEQUENT EVENTS

The Auditor of State commenced a special audit related to the District's community newsletter in February 2000. The special audit has not yet been completed. The results of the special audit will be reported in a separate audit report.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Western Reserve Local School District
Mahoning County
13850 Akron-Canfield Road
Berlin Center, OH 44401

To the Board of Education:

We have audited the financial statements of Western Reserve Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 20, 2001, which was qualified due to the lack of documentation supporting the financial activities of the student fund raiser activities accounted for in the Student Managed Activity Funds. We conducted our audit in accordance with generally accepted auditing standards 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 Western Reserve Local School 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of Western Reserve Local School District in a separate letter dated February 20, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Reserve Local School 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Western Reserve Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-11150-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 1999-11150-001 listed above, to be a material weakness. We also 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 Western Reserve Local School District in a separate letter dated February 20, 2001.

This report is intended for the information and use of management and the 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

February 20, 2001

SCHEDULE OF FINDINGS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	N/A
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	N/A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type AIB Programs	N/A
<i>(d)(1)(ix)</i>	Low Risk Auditee?	N/A

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

Finding Number	1999-11150-001
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Material Weakness

In order to increase accountability of and consistency among student activity projects, the District has adopted a board policy, which requires approved student fund raising activities be handled by the Treasurer's office in accordance with Auditor of State MAS Bulletin 93-13. These guidelines prescribe various forms which should be completed by each activity advisor. If completed in their entirety, these forms provide the District's management with a tool by which they can monitor program activity and, in some cases, profitability of the projects. Of the 12 student activity projects tested, 11 of the 12 lacked a properly completed profit and loss statements, documented and/or Board approved budgets and an approved sales project potential form.

We recommend each activity advisor complete all required forms in their entirety and the building principal or his or her designee should monitor each project by ensuring that all required forms have been completed in accordance with board policy and maintain documentation supporting amounts reported on the required forms.



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WESTERN RESERVE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2001**