



**Auditor of State
Betty Montgomery**

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Weathersfield Local School District
Trumbull County
3750 North Main Street
Mineral Ridge, Ohio 44440-9535

We have audited the accompanying general-purpose financial statements of the Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Weathersfield Local School District, Trumbull County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the financial statements, the District has been declared to be in fiscal caution under the criteria established by Ohio Revised Code Chapter 118.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2003 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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Betty Montgomery
Auditor of State

November 24, 2003

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WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 652,352	\$ 80,796	\$ 189,030	\$ 75,588
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	3,337,753	-	167,772	-
Accounts	4,793	803	-	42
Accrued interest	293	-	-	-
Due from other governments	-	20,718	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	38,585	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	33,107	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 4,066,883</u>	<u>\$ 102,317</u>	<u>\$ 356,802</u>	<u>\$ 75,630</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 13,938	\$ 2,834	\$ -	\$ 263
Contracts payable	-	-	-	6,469
Accrued wages and benefits	592,619	29,752	-	-
Compensated absences payable	62,350	-	-	-
Pension obligation payable	107,122	5,488	-	-
Deferred revenue	3,328,390	566	167,302	-
Due to other governments	54,783	2,864	-	1
Due to students	-	-	-	-
Notes Payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Capital lease obligation	-	-	-	-
Total liabilities	<u>4,159,202</u>	<u>41,504</u>	<u>167,302</u>	<u>6,733</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances (deficit):				
Reserved for encumbrances	26,150	7,359	-	33,605
Reserved for prepayments	38,585	-	-	-
Reserved for debt service	-	-	189,029	-
Reserved for tax revenue unavailable for appropriation.	9,363	-	471	-
Reserved for BWC refunds	33,107	-	-	-
Unreserved-undesignated	(199,524)	53,454	-	35,292
Total equity and other credits	<u>(92,319)</u>	<u>60,813</u>	<u>189,500</u>	<u>68,897</u>
Total liabilities, equity and other credits	<u>\$ 4,066,883</u>	<u>\$ 102,317</u>	<u>\$ 356,802</u>	<u>\$ 75,630</u>

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$ 22,568	\$ 16,704	\$ -	\$ -	\$ 1,037,038
-	-	-	-	3,505,525
2,161	-	-	-	7,799
-	-	-	-	293
14,948	-	-	-	35,666
8,346	-	-	-	8,346
-	-	-	-	38,585
-	-	-	-	33,107
15,849	-	11,461,212	-	11,477,061
-	-	-	189,500	189,500
-	-	-	4,223,309	4,223,309
<u>\$ 63,872</u>	<u>\$ 16,704</u>	<u>\$ 11,461,212</u>	<u>\$ 4,412,809</u>	<u>\$ 20,556,229</u>
\$ 1,192	\$ -	\$ -	\$ -	\$ 18,227
-	-	-	-	6,469
20,159	-	-	-	642,530
13,390	-	-	537,367	613,107
8,022	-	-	48,124	168,756
6,508	-	-	-	3,502,766
2,020	-	-	-	59,668
-	16,704	-	-	16,704
-	-	-	15,675	15,675
-	-	-	1,920,000	1,920,000
-	-	-	1,891,643	1,891,643
<u>51,291</u>	<u>16,704</u>	<u>-</u>	<u>4,412,809</u>	<u>8,855,545</u>
-	-	11,461,212	-	11,461,212
2,720	-	-	-	2,720
9,861	-	-	-	9,861
-	-	-	-	67,114
-	-	-	-	38,585
-	-	-	-	189,029
-	-	-	-	9,834
-	-	-	-	33,107
-	-	-	-	(110,778)
<u>12,581</u>	<u>-</u>	<u>11,461,212</u>	<u>-</u>	<u>11,700,684</u>
<u>\$ 63,872</u>	<u>\$ 16,704</u>	<u>\$ 11,461,212</u>	<u>\$ 4,412,809</u>	<u>\$ 20,556,229</u>

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WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$ 3,184,933	\$ -	\$ 144,914	\$ -	\$ 3,329,847
Tuition	847,449	-	-	-	847,449
Earnings on investments	49,134	-	-	11,051	60,185
Extracurricular	-	101,023	-	-	101,023
Other local revenues	3,954	12,893	-	76,574	93,421
Intergovernmental - State	3,315,091	71,487	13,341	8,700	3,408,619
Intergovernmental - Federal	-	285,510	-	24,860	310,370
Total revenue	<u>7,400,561</u>	<u>470,913</u>	<u>158,255</u>	<u>121,185</u>	<u>8,150,914</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,959,685	45,434	-	127,768	4,132,887
Special	623,655	325,136	-	-	948,791
Other	133,563	-	-	-	133,563
Support services:					
Pupil	365,663	18,798	-	-	384,461
Instructional staff	165,825	10,419	-	-	176,244
Board of Education	2,314	-	-	-	2,314
Administration	668,290	31,787	-	-	700,077
Fiscal	239,331	-	2,608	-	241,939
Business	9,651	-	-	-	9,651
Operations and maintenance	1,017,221	-	-	52,500	1,069,721
Pupil transportation	480,376	-	-	-	480,376
Central	-	15,016	-	-	15,016
Community services	-	-	-	20,718	20,718
Extracurricular activities	140,957	92,785	-	-	233,742
Facilities acquisition and construction	-	-	-	854,638	854,638
Debt service:					
Principal retirement	95,482	-	80,000	-	175,482
Interest and fiscal charges	93,699	-	74,068	-	167,767
Total expenditures	<u>7,995,712</u>	<u>539,375</u>	<u>156,676</u>	<u>1,055,624</u>	<u>9,747,387</u>
Excess (deficiency) of revenues over (under) expenditures	(595,151)	(68,462)	1,579	(934,439)	(1,596,473)
Other financing sources (uses):					
Operating transfers in	-	36,151	-	8,900	45,051
Operating transfers out	(79,402)	(649)	-	-	(80,051)
Total other financing sources (uses)	<u>(79,402)</u>	<u>35,502</u>	<u>-</u>	<u>8,900</u>	<u>(35,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(674,553)	(32,960)	1,579	(925,539)	(1,631,473)
Fund balances, July 1	582,234	93,773	187,921	994,436	1,858,364
Fund balances (deficit), June 30	<u>\$ (92,319)</u>	<u>\$ 60,813</u>	<u>\$ 189,500</u>	<u>\$ 68,897</u>	<u>\$ 226,891</u>

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

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,194,301	\$ 3,190,194	\$ (4,107)	\$ -	\$ -	\$ -
Tuition	847,547	847,450	(97)	-	-	-
Earnings on investments	50,600	49,138	(1,462)	-	-	-
Extracurricular	-	-	-	105,538	104,466	(1,072)
Other local revenues	3,800	3,954	154	9,525	8,721	(804)
Intergovernmental - State	3,315,322	3,315,092	(230)	74,938	74,937	(1)
Intergovernmental - Federal	-	-	-	310,536	310,535	(1)
Total revenues	<u>7,411,570</u>	<u>7,405,828</u>	<u>(5,742)</u>	<u>500,537</u>	<u>498,659</u>	<u>(1,878)</u>
Expenditures:						
Current:						
Instruction:						
Regular	4,088,260	4,020,453	67,807	61,272	59,934	1,338
Special	614,687	612,826	1,861	312,259	308,640	3,619
Other	133,120	132,828	292	-	-	-
Support services:						
Pupil	374,165	369,194	4,971	22,468	18,970	3,498
Instructional staff	156,353	155,718	635	14,123	11,195	2,928
Board of Education	2,414	2,385	29	-	-	-
Administration	658,139	658,444	(305)	36,346	31,691	4,655
Fiscal	246,919	246,507	412	-	-	-
Business	9,709	9,650	59	-	-	-
Operations and maintenance	1,080,612	1,083,365	(2,753)	-	-	-
Pupil transportation	481,804	475,882	5,922	-	-	-
Central	-	-	-	14,750	14,750	-
Community services	-	-	-	-	-	-
Extracurricular activities	142,345	141,382	963	156,895	100,818	56,077
Facilities acquisition and construction	181,294	179,281	2,013	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>8,169,821</u>	<u>8,087,915</u>	<u>81,906</u>	<u>618,113</u>	<u>545,998</u>	<u>72,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(758,251)</u>	<u>(682,087)</u>	<u>76,164</u>	<u>(117,576)</u>	<u>(47,339)</u>	<u>70,237</u>
Other financing sources (uses):						
Advances in	-	103,819	103,819	-	-	-
Advances out	-	-	-	-	(12,040)	(12,040)
Operating transfers in	3,690	3,690	-	36,151	36,151	-
Operating transfers out	(95,400)	(83,092)	12,308	(649)	(649)	-
Refund of prior year receipts	-	-	-	-	-	-
Refund of prior year expenditure	51,000	50,992	(8)	-	-	-
Total other financing sources (uses)	<u>(40,710)</u>	<u>75,409</u>	<u>116,119</u>	<u>35,502</u>	<u>23,462</u>	<u>(12,040)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(798,961)</u>	<u>(606,678)</u>	<u>192,283</u>	<u>(82,074)</u>	<u>(23,877)</u>	<u>58,197</u>
Fund balances, July 1	1,091,435	1,091,435	-	59,704	59,704	-
Prior year encumbrances appropriated	161,287	161,287	-	34,938	34,938	-
Fund balances, June 30	<u>\$ 453,761</u>	<u>\$ 646,044</u>	<u>\$ 192,283</u>	<u>\$ 12,568</u>	<u>\$ 70,765</u>	<u>\$ 58,197</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 146,508	\$ 145,079	\$ (1,429)	\$ -	\$ -	\$ -	\$ 3,340,809	\$ 3,335,273	\$ (5,536)
-	-	-	-	-	-	847,547	847,450	(97)
-	-	-	11,000	11,051	51	61,600	60,189	(1,411)
-	-	-	-	-	-	105,538	104,466	(1,072)
-	-	-	125,500	76,582	(48,918)	138,825	89,257	(49,568)
13,492	13,341	(151)	8,700	8,700	-	3,412,452	3,412,070	(382)
-	-	-	24,860	24,860	-	335,396	335,395	(1)
<u>160,000</u>	<u>158,420</u>	<u>(1,580)</u>	<u>170,060</u>	<u>121,193</u>	<u>(48,867)</u>	<u>8,242,167</u>	<u>8,184,100</u>	<u>(58,067)</u>
-	-	-	139,778	128,953	10,825	4,289,310	4,209,340	79,970
-	-	-	-	-	-	926,946	921,466	5,480
-	-	-	-	-	-	133,120	132,828	292
-	-	-	-	-	-	396,633	388,164	8,469
-	-	-	-	-	-	170,476	166,913	3,563
-	-	-	-	-	-	2,414	2,385	29
-	-	-	-	-	-	694,485	690,135	4,350
2,675	2,607	68	-	-	-	249,594	249,114	480
-	-	-	-	-	-	9,709	9,650	59
-	-	-	74,222	52,704	21,518	1,154,834	1,136,069	18,765
-	-	-	-	-	-	481,804	475,882	5,922
-	-	-	-	-	-	14,750	14,750	-
-	-	-	21,050	20,831	219	21,050	20,831	219
-	-	-	-	-	-	299,240	242,200	57,040
-	-	-	1,140,996	1,128,378	12,618	1,322,290	1,307,659	14,631
80,000	80,000	-	-	-	-	80,000	80,000	-
74,500	74,068	432	-	-	-	74,500	74,068	432
<u>157,175</u>	<u>156,675</u>	<u>500</u>	<u>1,376,046</u>	<u>1,330,866</u>	<u>45,180</u>	<u>10,321,155</u>	<u>10,121,454</u>	<u>199,701</u>
<u>2,825</u>	<u>1,745</u>	<u>(1,080)</u>	<u>(1,205,986)</u>	<u>(1,209,673)</u>	<u>(3,687)</u>	<u>(2,078,988)</u>	<u>(1,937,354)</u>	<u>141,634</u>
-	-	-	-	-	-	-	103,819	103,819
-	-	-	-	(61,013)	(61,013)	-	(73,053)	(73,053)
-	-	-	9,000	8,900	(100)	48,841	48,741	(100)
-	-	-	-	-	-	(96,049)	(83,741)	12,308
-	-	-	-	(13)	(13)	-	(13)	(13)
-	-	-	-	-	-	51,000	50,992	(8)
-	-	-	9,000	(52,126)	(61,126)	3,792	46,745	42,953
2,825	1,745	(1,080)	(1,196,986)	(1,261,799)	(64,813)	(2,075,196)	(1,890,609)	184,587
187,285	187,285	-	317,310	317,310	-	1,655,734	1,655,734	-
-	-	-	979,713	979,713	-	1,175,938	1,175,938	-
<u>\$ 190,110</u>	<u>\$ 189,030</u>	<u>\$ (1,080)</u>	<u>\$ 100,037</u>	<u>\$ 35,224</u>	<u>\$ (64,813)</u>	<u>\$ 756,476</u>	<u>\$ 941,063</u>	<u>\$ 184,587</u>

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 31,328
Sales/charges for services	<u>192,265</u>
 Total operating revenues	 <u>223,593</u>
 Operating expenses:	
Personal services	207,802
Purchased services	4,751
Materials and supplies	156,325
Depreciation	716
Other	<u>11,354</u>
 Total operating expenses	 <u>380,948</u>
 Operating loss	 <u>(157,355)</u>
 Nonoperating revenues (expenses):	
Operating grants	109,936
Federal commodities	30,902
Loss on sale of assets.	(399)
Interest revenue.	<u>581</u>
 Total nonoperating revenues (expenses)	 <u>141,020</u>
 Net loss before operating transfers	 (16,335)
 Operating transfers in	 <u>35,000</u>
 Net income.	 18,665
 Retained earnings (accumulated deficit), July 1	 <u>(8,804)</u>
 Retained earnings, June 30	 9,861
 Contributed capital, June 30.	 <u>2,720</u>
 Total fund equity, June 30	 <u>\$ 12,581</u>

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 29,839
Cash received from sales/service charges	192,166
Cash payments for personal services	(202,969)
Cash payments for purchased services	(3,702)
Cash payments for materials and supplies	(125,214)
Cash payments for other expenses	(11,354)
Net cash used in operating activities	(121,234)
Cash flows from noncapital financing activities:	
Cash received from operating grants	120,643
Cash used for repayment of interfund loans	(29,146)
Cash received from transfers	35,000
Net cash provided by noncapital financing activities	126,497
Cash flows from capital and related financing activities:	
Gain on sale of assets	325
Net cash provided by capital and related financing activities	325
Cash flows from investing activities:	
Interest received	581
Net cash provided by investing activities	581
Net increase in cash and cash equivalents	6,169
Cash and cash equivalents at beginning of year	16,399
Cash and cash equivalents at end of year	\$ 22,568
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (157,355)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	716
Federal donated commodities	30,902
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(657)
Increase in accounts receivable	(1,588)
Increase in due to other governments	556
Increase in accounts payable	1,192
Increase in accrued wages and benefits	4,882
Decrease in compensated absences payable	(1,745)
Increase in pension obligation payable	1,140
Decrease in deferred revenue	723
Net cash used in operating activities	\$ (121,234)

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

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**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Weathersfield Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a locally elected five member Board of Education (the "Board") and provides educational services as mandated by state or federal agencies. The Board controls the District's three instructional/support facilities.

The District ranks as the 481st largest by total enrollment among the 740 public and community school districts in the State of Ohio. The District is staffed by 35 non-certificated and 83 certificated personnel to provide services to approximately 1,078 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

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

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

Northeast Ohio Instructional Media Center (NEOIMC)

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

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

Region 12 Professional Development Center (the "Center")

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

PUBLIC ENTITY RISK POOL

Trumbull County Insurance Consortium (the "Consortium")

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds, the expendable trust fund and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2003, and which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as donated commodities revenue.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

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

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

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

D. Budgets

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

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

1. Tax Budget

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2003.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund type level (which is the legal level of budgetary control). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund type appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among objects, functions and funds may be modified during the year without approval of the Board. Administrative control is maintained through the establishment of more detailed line-item budgets.

The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types" are provided on the budgetary basis to facilitate a comparison of actual results to the final budget, including all amendments and modifications. Although the legal level of budgetary control was established at the fund type level, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying GPFS. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 13 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

5. Lapsing of Appropriations

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

E. Cash and Cash Equivalents

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

During 2003, investments were limited to repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$49,134, which includes \$28,606 assigned from other District funds.

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

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

F. Inventory

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used. The balance of materials and supplies inventory for the governmental funds at June 30, 2003 was not material and not presented on the GPFS.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

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

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

J. Long-Term Obligations

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

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

K. Fund Balance Reserves

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

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2003.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2003.

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

N. Estimates

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

O. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2003 included the following fund deficits:

	<u>Deficit Balance</u>
General Fund	\$92,319
<u>Special Revenue Funds</u>	
EMIS	266
DPIA	9,691
Ohio Reads	36
Title VI-B	40
Title VI	47
Title VI-R 2002	1,976
<u>Enterprise Fund</u>	
Food Service	4,243

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

The deficit fund balances in the EMIS, DPIA, Ohio Reads, Title VI-B, Title VI, Title VI-R 2002, Title VI-R 2001 special revenue funds are caused by accrued wages, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated as intergovernmental revenues and other sources are received.

The deficit retained earnings in the Food Service enterprise fund is caused by reporting accrued wages, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by future user charges.

B. Agency Fund

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

LIABILITIES

Accounts payable	\$291
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NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rates in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$22,053 and the bank balance was \$68,791. The entire bank balance was covered by federal depository insurance.

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

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$1,047,992</u>	<u>\$1,047,992</u>	<u>\$1,047,992</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,070,145	\$ -
Investments in the cash management pool:		
Repurchase agreement	(1,047,992)	1,047,992
Cash on hand	<u>(100)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 22,053</u>	<u>\$1,047,992</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal 2003:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$79,402
<u>Special Revenue Funds</u>		
EMIS	25,890	-
Extracurricular	31	-
School Security Equipment Grant	9,581	-
Eisenhower Grant	-	649
Title VI-R 2002	649	-
<u>Enterprise Fund</u>		
Food Service	35,000	-
<u>Capital Projects Fund</u>		
Joe Lane Stadium Project	<u>8,900</u>	<u>-</u>
Total	<u>\$80,051</u>	<u>\$80,051</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year.

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

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

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2002 taxes were collected was \$96,774,734. Agricultural/residential and public utility/minerals real estate represented \$51,020,950 or 52.7% of this total; commercial & industrial real estate represented \$12,413,050 or 12.8% of this total, public utility tangible represented \$6,067,660 or 6.3% of this total and general tangible property represented \$27,273,074 or 28.2% of this total. The voted general tax rate at the fiscal year-ended June 30, 2003 was \$44.5 per \$1,000.00 of assessed valuation for operations, and \$1.7 per \$1,000.00 of assessed valuation for debt service.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less the amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2003, was \$9,834 and is recorded as revenue and reserved fund balance.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements (to the extent eligibility requirements were met by year-end). Intergovernmental receivables have been recorded as "Due From Other Governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,337,753
Accounts	4,793
Accrued interest	293
<u>Special Revenue Funds</u>	
Accounts receivable	803
Due from other governments	20,718
<u>Debt Service Fund</u>	
Taxes - current and delinquent	167,772
<u>Capital Projects Funds</u>	
Accounts	42
<u>Enterprise Funds</u>	
Accounts	2,161
Due from other governments	14,948

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 8 - FIXED ASSETS

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

	Balance <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2003</u>
Land/improvements	\$ 869,257	\$ 25,427	\$ -	\$ 894,684
Buildings/improvements	5,379,286	1,723,553	-	7,102,839
Furniture and equipment	2,746,295	183,414	(7,193)	2,922,516
Vehicles	486,841	54,332	-	541,173
Construction in progress	<u>754,666</u>	<u>-</u>	<u>(754,666)</u>	<u>-</u>
Total	<u>\$10,236,345</u>	<u>\$1,986,726</u>	<u>\$(761,859)</u>	<u>\$11,461,212</u>

The decrease in construction in progress represents the capitalization of the Seaborn Construction Project to the respective categories.

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 94,191
Less: accumulated depreciation	<u>(78,342)</u>
Net fixed assets	<u>\$ 15,849</u>

NOTE 9 - LEASE - PURCHASE AGREEMENTS

- A. On June 28, 2001, the District entered into a lease-purchase agreement with the Weathersfield School Building Corporation (the "Corporation") for the financing of the reconstruction and improvement of the Joe Lane Sports Complex. The source of revenue to fund the principal and interest payments is derived from various donations, advertising and contributions from the District's general fund. During fiscal year 2003, the District made \$46,582 in principal payments on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of land improvements and building improvements have been capitalized in the general fixed assets account group in the amount of \$950,000.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 9 - LEASE - PURCHASE AGREEMENTS - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 86,268
2005	86,268
2006	86,268
2007	86,268
2008	86,268
2009 - 2013	431,340
2014 - 2016	258,801
Total	1,121,481
Less: amount representing interest	(286,162)
Present value of minimum lease payments	<u>\$ 835,319</u>

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

- B. On March 1, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for building improvements throughout the District. National City Bank has been designated as trustee for the agreement. The sources of revenue to fund the principal and interest payments are general operating revenues of the District. The District made \$39,000 in principal payments during fiscal year 2003. Principal and interest payments will be recorded as debt service expenditures in the general fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. As of June 30, 2003, general fixed assets consisting of building improvements have been capitalized in the general fixed assets account group in the amount of \$1,095,324.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 9 - LEASE - PURCHASE AGREEMENTS - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 103,144
2005	103,273
2006	103,107
2007	102,701
2008	103,064
2009 - 2013	512,080
2014 - 2018	488,033
Total	1,515,402
Less: amount representing interest	(459,078)
Present value of minimum lease payments	<u>\$1,056,324</u>

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2002, the District issued \$2,000,000 in general obligation bonds to provide funds for renovations and improvements to Seaburn Elementary. These bonds bear an annual interest rate of 2.10% and mature on December 1, 2021. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. During fiscal year 2003 the District made \$80,000 in principal payments on the bonds. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$ 85,000	\$ 72,251	\$ 157,251
2005	90,000	70,104	160,104
2006	90,000	67,584	157,584
2007	95,000	64,749	159,749
2008	95,000	61,721	156,721
2009 - 2013	460,217	329,464	789,681
2014 - 2018	429,782	357,105	786,887
2019 - 2023	575,001	56,168	631,169
Total	<u>\$1,920,000</u>	<u>\$1,079,146</u>	<u>\$2,999,146</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B. In February 2002, the District purchased a Ford dump truck for \$29,700. Financing was obtained through the Ford Motor Credit Company at zero percent interest. The source of revenue to fund the principal payments is general operating revenues of the District. During fiscal 2003, the District made \$9,900 in principal payments. Principal payments will be recorded as note payable in the general fund.

The following is a schedule of the future long-term payments required as of June 30, 2003:

Fiscal Year Ending June 30	Amount
2004	\$ 9,900
2005	<u>5,775</u>
Total	15,675

- C. During the fiscal year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group:

	Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003
Compensated absences	\$ 486,766	\$50,601	\$ -	\$ 537,367
Pension obligation payable	41,695	48,124	(41,695)	48,124
Lease-purchase agreements payable	1,977,225	-	(85,582)	1,891,643
Notes Payable	25,575	-	(9,900)	15,675
General obligation bonds payable	<u>2,000,000</u>	<u>-</u>	<u>(80,000)</u>	<u>1,920,000</u>
Total	<u>\$4,531,261</u>	<u>\$98,725</u>	<u>\$(217,177)</u>	<u>\$4,412,809</u>

Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences will be paid from the fund from which the employees' salaries are paid. The pension obligation payable represents contractually required pension contributions made outside the available period and will be paid from the fund from which the employee is paid. The lease-purchase agreements will be paid from the general fund. The general obligation bonds will be paid from the debt service fund.

- C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$6,979,226 (including available funds of \$189,500) and an unvoted debt margin of \$96,775.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Early Retirement Incentive

The District has offered its certified personnel an early retirement incentive (ERI). The ERI is effective for the period July 16, 2000 through July 1, 2004. All certified employees who first attain 30 years of service or attain 25 - 29 years of service and age 55 during the ERI period are eligible. Upon election to retire, the District will pay one-third of the employee's contractual salary, excluding supplemental salaries and extended time. The ERI benefit is paid in two installments, twelve months apart. The first installment is made within 30 days after the District receives evidence of receipts of the first retirement payment from the State Teachers Retirement System. As of June 30, 2003, four employees have elected to take the ERI. The liability for the ERI benefits paid the employees in the available period is recorded as "compensated absences payable" in the fund from which the employee was paid. The remainder is recorded in the general long-term obligation account group.

C. Life Insurance

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

D. Workers' Compensation

The District uses the firm of Sheakley Uniservice, Inc. to provide administrative support for claims processing, and to assist the District in compliance with Bureau of Workers Compensation and Industrial Commission regulations. The District purchases its workers compensation coverage from the Bureau of Workers Compensation.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 12 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Hartford Insurance for property insurance and inland marine and the Ohio School Plan for fleet and liability insurance. Coverages are as follows:

<i>Hartford - Harcum-Hyre Insurance provider for:</i>		
Blanket Building and Contents - replacement cost (\$5000 deductible)	\$	27,213,200
Inland Marine Coverage (\$1000 deductible)		
Boiler Insurance (\$1000 deductible)		
Crime / Dishonesty Insurance (\$1000 deductible)		25,000
<i>Ohio School Plan - Harcum-Hyre Insurance provider for:</i>		
Automobile Liability (\$5,000 deductible)		1,000,000
Uninsured Motorists (\$5,000 deductible)		50,000
General Liability		1,000,000
Per occurrence		3,000,000
Fleet Liability		1,000,000

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

B. Medical, Dental, Vision and Drug Benefits

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

	<u>Family Coverage</u>	<u>Single Coverage</u>
Medical and prescription drug	\$929.68	\$357.92
Vision	7.85	2.84
Dental	68.04	19.20

The District pays 90% of the premium after one year of employment, 95% after two years of employment and 100% after three years of employment. The plan utilizes a deductible for name brand prescriptions of \$10 for 34 day supply and \$25 for a 90 day supply; generic drugs are \$5.00 and \$10 respectively.

C. Workers' Compensation

The District uses the firm of Sheakley Uniservice, Inc. to provide administrative support for claims processing, and to assist the District in compliance with Bureau of Workers Compensation and Industrial Commission regulations. The District purchases its workers compensation coverage from the Bureau of Workers Compensation.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 192,265	\$31,328	\$ 223,593
Operating expenses before depreciation	350,678	30,270	380,948
Depreciation	716	-	716
Operating income/(loss)	(158,413)	1,058	(157,355)
Operating grants	109,936	-	109,936
Federal donated commodities	30,902	-	30,902
Operating transfers	35,000	-	35,000
Net income	17,957	1,058	18,665
Net working capital	(2,615)	17,916	15,301
Total assets	45,813	18,059	63,872
Total liabilities	51,148	143	51,291
Contributed capital	2,720	-	2,720
Total equity	(5,335)	17,916	12,581
Encumbrances at 06/30/03	-	143	143

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$141,929, \$131,560, and \$117,623, respectively; 50.3% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$70,488, represents the unpaid contribution for fiscal year 2003.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$547,020, \$514,408, and \$476,892, respectively; 83.2% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$91,788, represents the unpaid contribution for fiscal year 2003.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$39,073 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$65,782 during the 2003 fiscal year.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(606,678)	\$(23,877)	\$1,745	\$(1,261,799)
Net adjustment for revenue accruals	(5,267)	(27,746)	(165)	(8)
Net adjustment for expenditure accruals	52,788	(3,408)	(1)	234,878
Net adjustment for other financing sources/(uses)	(154,811)	12,040	-	61,026
Encumbrances (budget basis)	<u>39,415</u>	<u>10,031</u>	<u>-</u>	<u>40,364</u>
GAAP basis	<u>\$(674,553)</u>	<u>\$(32,960)</u>	<u>\$1,579</u>	<u>\$ (925,539)</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

B. Litigation

The District was not involved in any pending litigation as plaintiff, or defendant, as of June 30, 2003.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

D. Beginning in October, 2002, the District incurred an annual loss of approximately \$621,000 in tangible personal property taxes previously paid by the RMI Titanium Corporation. This situation was attributed to a personal property tax exemption given to RMI Titanium Corporation for inventory and equipment earmarked for military use. The loss of tax revenue has created a projected cash deficit of between 2% and 8% which has resulted in the District being placed in Fiscal Caution as of March 31, 2003 in accordance with Section 3316.031(B)(3) of the Revised Code. The District has projected a \$150,000 budget deficit in FY 2004 after the levy defeats of a 1 percent income tax in May 2003 and a 9.5 mill five year emergency operating levy in November of 2003. The District plans on reducing busing and wages to help off-set the projected deficit.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE 18 - STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase 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. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2002, only the unspent portion of certain workers' compensation refunds continues to be required to be set-aside. The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$(466,704)	\$ -	\$33,107
Current year set-aside requirement	145,650	145,650	-
Qualifying disbursements	<u>(247,866)</u>	<u>(199,197)</u>	<u>-</u>
Total	<u>(569,153)</u>	<u>(53,547)</u>	<u>33,107</u>
Set Aside Balance carried forward to future fiscal years.	(568,920)	(53,547)	33,107
Cash balance carried forward to FY 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$33,107</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbook and capital acquisition set aside amounts to below zero. These amounts may be used to reduce the set-aside requirement of future years.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for BWC refunds	<u>\$33,107</u>
Total restricted assets	<u>\$33,107</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through The Ohio Department of Education.</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$31,625	-	\$31,625
School Breakfast Program	05-PU 02 05-PU 03	10.553	\$ 3,836 7,387	- -	\$ 3,836 7,387	- -
Subtotal -- School Breakfast Program			<u>11,223</u>	<u>-</u>	<u>11,223</u>	<u>-</u>
National School Lunch Program	LL-P4-2002 LL-P4-2003	10.555	33,500 68,744	- -	33,500 68,744	- -
Subtotal -- School National School Lunch Program			<u>102,244</u>	<u>-</u>	<u>102,244</u>	<u>-</u>
Total U.S. Department of Agriculture -- Nutrition Cluster			\$ 113,467	\$ 31,625	\$ 113,467	\$ 31,625
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through The Ohio Department of Education.</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 01 C1-S1 02	84.010	1,373 96,279	- -	25,019 89,250	- -
Total -- Title I School Subsidy			97,652	-	114,269	-
<i>Special Education Grants Cluster:</i>						
Title VI - B Special Education Grants to States	6B-SF-2002 6B-SF-2003	84.027	46,392 89,184	- -	44,384 89,184	- -
Total -- Special Education Cluster			135,576	-	133,568	-
Safe and Drug Free Schools Grant	DR-S1-2003	84.186	4,996	-	4,996	-
Emergency Building Repair	MS-S1-2002	84.352	24,860	-	24,860	-
Innovative Education Program Strategies Title IV Subsidy	C2-S1-2003	84.298	2,361 7,207	- -	- 7,207	- -
Total -- Title IV Subsidy			9,568	-	7,207	-
Technology Literacy Challenge Fund Grants	TJ-S1-2003	84.318	2,495	-	2,303	-
Assistive Technology	AT-S2-2002 AT-S3-2002	84.224	3,053 15,064	- -	3,053 15,064	- -
Total -- Assistive Technology			18,117	-	18,117	-
Improving Teacher Quality State Grants	TR-S1-2003	84.367	42,127	-	40,583	-
Total -- U.S. Department of Education			\$ 335,391	-	\$ 345,903	-
Totals			\$ 448,858	\$ 31,625	\$ 459,370	\$ 31,625

The accompanying notes to this schedule are an integral part of this schedule.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.



Auditor of State Betty Montgomery

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

Weathersfield Local School District
Trumbull County
3750 North Main Street
Mineral Ridge, Ohio 44440-9535

To The Board of Education:

We have audited the financial statements of Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated November 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Weathersfield 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 one immaterial instance of noncompliance that we have reported to management of Weathersfield Local School District in a separate letter dated November 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Weathersfield 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Weathersfield Local School District in a separate letter dated November 24, 2003.

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

This report is intended for the information and use of management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 24, 2003



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Weathersfield Local School District
Trumbull County
3750 North Main Street
Mineral Ridge, Ohio 44440-9535

To The Board of Education:

Compliance

We have audited the compliance of Weathersfield Local School District, Trumbull County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. Weathersfield Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Weathersfield Local School District's management. Our responsibility is to express an opinion on Weathersfield Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Weathersfield Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Weathersfield Local School District's compliance with those requirements.

In our opinion, Weathersfield Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Weathersfield Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered Weathersfield Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 24, 2003

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2003**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA's: 10.550, 10.553 and 10.555 Title IV-B (Special Ed. Grants) CFDA 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: > \$100,000
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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WEATHERSFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 12, 2004**