



**Auditor of State  
Betty Montgomery**



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Western Reserve Local School District, Mahoning 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 Western Reserve Local School District, Mahoning 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 23, 2003

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**Western Reserve Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 2003*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$545,624	\$62,634	\$8,462	\$266,219
Receivables:				
Taxes	1,965,413	0	0	245,155
Accounts	503	0	0	0
Intergovernmental	0	0	0	0
Accrued Interest	486	0	0	0
Prepaid Items	13,586	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	60,917	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	107,461	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$2,693,990</b>	<b>\$62,634</b>	<b>\$8,462</b>	<b>\$511,374</b>



Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$3,796	\$18,115	\$16,330	\$0	\$0	\$921,180
0	0	0	0	0	2,210,568
0	0	0	0	0	503
10,569	0	0	0	0	10,569
0	0	0	0	0	486
0		0	0	0	13,586
607	0	0	0	0	607
2,194	0	0	0	0	63,111
0	0	0	0	0	107,461
19,996	0	0	6,317,899	0	6,337,895
0	0	0	0	8,462	8,462
0	0	0	0	580,563	580,563
<u>\$37,162</u>	<u>\$18,115</u>	<u>\$16,330</u>	<u>\$6,317,899</u>	<u>\$589,025</u>	<u>\$10,254,991</u>

(continued)

**Western Reserve Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 2003*

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities,</b>				
<b>Fund Equity and Other Credits</b>				
<b>Liabilities</b>				
Accounts Payable	\$1,851	\$71	\$0	\$13,885
Accrued Wages and Benefits	504,879	3,383	0	0
Compensated Absences Payable	2,948	0	0	0
Intergovernmental Payable	102,188	752	0	0
Deferred Revenue	1,965,413	0	0	245,155
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Special Termination Benefits Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	41,693
	<u>2,577,279</u>	<u>4,206</u>	<u>0</u>	<u>300,733</u>
<b>Total Liabilities</b>				
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	26,700	1,970	0	4,036
Reserved for Inventory	60,917	0	0	0
Reserved for Bus Purchases	18,567	0	0	0
Reserved for Budget Stabilization	67,313	0	0	0
Reserved for Textbooks	21,581			
Unreserved, Undesignated (Deficit)	(78,367)	56,458	8,462	206,605
	<u>116,711</u>	<u>58,428</u>	<u>8,462</u>	<u>210,641</u>
<b>Total Fund Equity and Other Credits (Deficit)</b>				
	<u>\$2,693,990</u>	<u>\$62,634</u>	<u>\$8,462</u>	<u>\$511,374</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>				

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$172	\$0	\$0	\$0	\$0	\$15,979
20,379	0	0	0	0	528,641
11,305	0	0	0	516,532	530,785
7,673	0	0	0	44,443	155,056
0	0	0	0	0	2,210,568
0	0	1,464	0	0	1,464
0	0	14,866	0	0	14,866
0	125	0	0	0	125
0	0	0	0	28,050	28,050
0	0	0	0	0	41,693
<u>39,529</u>	<u>125</u>	<u>16,330</u>	<u>0</u>	<u>589,025</u>	<u>3,527,227</u>
0	0	0	6,317,899	0	6,317,899
(2,367)	17,990	0	0	0	15,623
0	0	0	0	0	32,706
0	0	0	0	0	60,917
0	0	0	0	0	18,567
0	0	0	0	0	67,313
0	0	0	0	0	21,581
0	0	0	0	0	193,158
<u>(2,367)</u>	<u>17,990</u>	<u>0</u>	<u>6,317,899</u>	<u>0</u>	<u>6,727,764</u>
<u>\$37,162</u>	<u>\$18,115</u>	<u>\$16,330</u>	<u>\$6,317,899</u>	<u>\$589,025</u>	<u>\$10,254,991</u>

**Western Reserve Local School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003*

	Governmental Fund		
	General	Special Revenue	Debt Service
<b>Revenues</b>			
Taxes	\$1,900,104	\$0	\$0
Intergovernmental	3,046,095	150,367	340
Interest	15,756	0	0
Tuition and Fees	261,655	4,079	0
Extracurricular Activities	0	85,335	0
Contributions and Donations	6,163	28,969	0
Rentals	1,020	0	0
Miscellaneous	29,593	0	0
<i>Total Revenues</i>	5,260,386	268,750	340
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,321,969	19,436	0
Special	415,704	60,160	0
Vocational	108,410	0	0
Adult/Continuing	0	22,000	0
Support Services:			
Pupils	254,404	63,112	0
Instructional Staff	277,689	9,680	0
Board of Education	16,990	0	0
Administration	574,550	56,113	0
Fiscal	226,702	0	0
Business	21,519	0	0
Operation and Maintenance of Plant	492,978	0	0
Pupil Transportation	361,775	14,094	0
Central	15,912	0	0
Extracurricular Activities	178,303	74,833	0
Capital Outlay	0	4,444	0
Debt Service:			
Principal Retirement	0	0	75,000
Interest and Fiscal Charges	0	0	3,000
<i>Total Expenditures</i>	5,266,905	323,872	78,000
<i>Excess of Revenues Over ( Under) Expenditures</i>	(6,519)	(55,122)	(77,660)
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	0	8,133	0
Operating Transfers Out	(27,147)	0	0
<i>Total Other Financing Sources (Uses)</i>	(27,147)	8,133	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(33,666)	(46,989)	(77,660)
<i>Fund Balances Beginning of Year</i>	149,130	105,417	86,122
Increase in Reserve for Inventory	1,247	0	0
<i>Fund Balances at End of Year</i>	\$116,711	\$58,428	\$8,462

See accompanying notes to the general purpose financial statements

<u>Types</u>	
Capital Projects	Totals (Memorandum Only)
\$235,030	\$2,135,134
29,424	3,226,226
0	15,756
0	265,734
0	85,335
0	35,132
0	1,020
0	29,593
264,454	5,793,930
0	2,341,405
0	475,864
0	108,410
0	22,000
0	317,516
0	287,369
0	16,990
0	630,663
0	226,702
0	21,519
0	492,978
0	375,869
0	15,912
0	253,136
213,992	218,436
0	75,000
5,654	8,654
219,646	5,888,423
44,808	(94,493)
0	8,133
0	(27,147)
0	(19,014)
44,808	(113,507)
165,833	506,502
0	1,247
\$210,641	\$394,242

**Western Reserve Local School District**  
*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2003*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Taxes	\$1,900,104	\$1,900,104	\$0
Intergovernmental	3,046,095	3,046,095	0
Interest	16,034	16,034	0
Tuition and Fees	261,655	261,655	0
Extracurricular Activities	0	0	0
Contributions and Donations	6,163	6,163	0
Rentals	1,020	1,020	0
Miscellaneous	29,090	29,090	0
<i>Total Revenues</i>	<u>5,260,161</u>	<u>5,260,161</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,297,172	2,297,172	0
Special	416,317	416,317	0
Vocational	109,320	109,320	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	268,214	268,214	0
Instructional Staff	273,515	273,515	0
Board of Education	22,380	22,380	0
Administration	573,152	573,152	0
Fiscal	232,806	232,806	0
Business	21,519	21,519	0
Operation and Maintenance of Plant	493,523	493,523	0
Pupil Transportation	360,705	360,705	0
Central	15,912	15,912	0
Extracurricular Activities	180,042	180,042	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>5,264,577</u>	<u>5,264,577</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,416)</u>	<u>(4,416)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	0	0	0
Operating Transfers Out	(27,147)	(27,147)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(27,147)</u>	<u>(27,147)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(31,563)</u>	<u>(31,563)</u>	<u>0</u>
<i>Fund Balances Beginning of Year</i>	646,012	646,012	0
Prior Year Encumbrances Appropriated	10,085	10,085	0
<i>Fund Balances End of Year</i>	<u>\$624,534</u>	<u>\$624,534</u>	<u>\$0</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$55,000	\$55,000	\$0
150,367	150,367	0	340	340	0
0	0	0	0	0	0
4,079	4,079	0	0	0	0
85,335	85,335	0	0	0	0
28,969	28,969	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>268,750</u>	<u>268,750</u>	<u>0</u>	<u>55,340</u>	<u>55,340</u>	<u>0</u>
20,212	20,212	0	0	0	0
60,136	60,136	0	0	0	0
0	0	0	0	0	0
22,000	22,000	0	0	0	0
63,006	63,006	0	0	0	0
8,243	8,243	0	0	0	0
0	0	0	0	0	0
56,306	56,306	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
14,094	14,094	0	0	0	0
0	0	0	0	0	0
75,911	75,911	0	0	0	0
4,444	4,444	0	0	0	0
0	0	0	124,346	124,346	0
0	0	0	8,654	8,654	0
<u>324,352</u>	<u>324,352</u>	<u>0</u>	<u>133,000</u>	<u>133,000</u>	<u>0</u>
<u>(55,602)</u>	<u>(55,602)</u>	<u>0</u>	<u>(77,660)</u>	<u>(77,660)</u>	<u>0</u>
8,133	8,133	0	0	0	0
0	0	0	0	0	0
<u>8,133</u>	<u>8,133</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(47,469)	(47,469)	0	(77,660)	(77,660)	0
97,760	97,760	0	86,122	86,122	0
<u>10,304</u>	<u>10,304</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$60,595</u>	<u>\$60,595</u>	<u>\$0</u>	<u>\$8,462</u>	<u>\$8,462</u>	<u>\$0</u>

(continued)

**Western Reserve Local School District**  
*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual*  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 2003

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$180,030	\$180,030	\$0
Intergovernmental	29,424	29,424	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>209,454</u>	<u>209,454</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	57,222	57,222	0
Special	131	131	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	1,381	1,381	0
Fiscal	3,877	3,877	0
Business	0	0	0
Operation and Maintenance of Plant	65,424	65,424	0
Pupil Transportation	17,394	17,394	0
Central	0	0	0
Extracurricular Activities	2,300	2,300	0
Capital Outlay	71,809	71,809	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>219,538</u>	<u>219,538</u>	<u>0</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(10,084)</u>	<u>(10,084)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	<u>(10,084)</u>	<u>(10,084)</u>	<u>0</u>
<i>Fund Balances Beginning of Year</i>	251,807	251,807	0
Prior Year Encumbrances Appropriated	<u>6,575</u>	<u>6,575</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$248,298</u></u>	<u><u>\$248,298</u></u>	<u><u>\$0</u></u>

See accompanying notes to the general purpose financial statements



Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,135,134	\$2,135,134	\$0
3,226,226	3,226,226	0
16,034	16,034	0
265,734	265,734	0
85,335	85,335	0
35,132	35,132	0
1,020	1,020	0
29,090	29,090	0
<u>5,793,705</u>	<u>5,793,705</u>	<u>0</u>
2,374,606	2,374,606	0
476,584	476,584	0
109,320	109,320	0
22,000	22,000	0
331,220	331,220	0
281,758	281,758	0
22,380	22,380	0
630,839	630,839	0
236,683	236,683	0
21,519	21,519	0
558,947	558,947	0
392,193	392,193	0
15,912	15,912	0
258,253	258,253	0
76,253	76,253	0
124,346	124,346	0
8,654	8,654	0
<u>5,941,467</u>	<u>5,941,467</u>	<u>0</u>
<u>(147,762)</u>	<u>(147,762)</u>	<u>0</u>
8,133	8,133	0
<u>(27,147)</u>	<u>(27,147)</u>	<u>0</u>
<u>(19,014)</u>	<u>(19,014)</u>	<u>0</u>
(166,776)	(166,776)	0
1,081,701	1,081,701	0
26,964	26,964	0
<u>\$941,889</u>	<u>\$941,889</u>	<u>\$0</u>

**Western Reserve Local School District**  
*Combined Statement of Revenues,  
Expenses and Changes in Retained Earnings  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2003*

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Revenues</b>			
Sales	\$159,971	\$0	\$159,971
Charges for Services	<u>0</u>	<u>7,080</u>	<u>7,080</u>
<i>Total Operating Revenues</i>	<u>159,971</u>	<u>7,080</u>	<u>167,051</u>
<b>Operating Expenses</b>			
Salaries	75,346	0	75,346
Fringe Benefits	62,363	0	62,363
Purchased Services	8,892	914	9,806
Materials and Supplies	18,777	0	18,777
Cost of Sales	76,161	0	76,161
Depreciation	3,189	0	3,189
Claims	<u>0</u>	<u>4,183</u>	<u>4,183</u>
<i>Total Operating Expenses</i>	<u>244,728</u>	<u>5,097</u>	<u>249,825</u>
<i>Operating Income (Loss)</i>	<u>(84,757)</u>	<u>1,983</u>	<u>(82,774)</u>
<b>Non-Operating Revenues</b>			
Federal Donated Commodities	19,530	0	19,530
Operating Grants	<u>41,545</u>	<u>0</u>	<u>41,545</u>
<i>Total Non-Operating Revenues</i>	<u>61,075</u>	<u>0</u>	<u>61,075</u>
<i>Income (Loss) Before Operating Transfers</i>	(23,682)	1,983	(21,699)
Operating Transfers In	<u>19,014</u>	<u>0</u>	<u>19,014</u>
<i>Net Income (Loss)</i>	(4,668)	1,983	(2,685)
<i>Retained Earnings Beginning of Year</i>	<u>2,301</u>	<u>16,007</u>	<u>18,308</u>
<i>Retained Earnings (Deficit) End of Year</i>	<u><u>(\$2,367)</u></u>	<u><u>\$17,990</u></u>	<u><u>\$15,623</u></u>

See accompanying notes to the general purpose financial statements

**Western Reserve Local School District**  
*Combined Statement of Revenues, Expenses and Changes  
in Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 2003*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales	\$159,971	\$159,971	\$0
Charges for Services	0	0	0
Operating Grants	37,233	37,233	0
<i>Total Revenues</i>	197,204	197,204	0
<b>Expenses</b>			
Salaries	76,058	76,058	0
Fringe Benefits	58,573	58,573	0
Purchased Services	8,861	8,861	0
Materials and Supplies	75,267	75,267	0
Claims	0	0	0
<i>Total Expenses</i>	218,759	218,759	0
<i>Excess of Revenues Over (Under)Expenses</i>	(21,555)	(21,555)	0
Operating Transfers In	19,014	19,014	0
<i>Excess of Revenues Over Expenses and Operating Transfers</i>	(2,541)	(2,541)	0
<i>Fund Equity Beginning of Year</i>	5,238	5,238	0
Prior Year Encumbrances Appropriated	844	844	0
<i>Fund Equity End of Year</i>	\$3,541	\$3,541	\$0

(continued)

**Western Reserve Local School District**  
*Combined Statement of Revenues, Expenses and Changes  
in Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types (continued)  
For the Fiscal Year Ended June 30, 2003*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Sales	\$0	\$0	\$0
Charges for Services	7,080	7,080	0
Operating Grants	0	0	0
	<u>7,080</u>	<u>7,080</u>	<u>0</u>
<i>Total Revenues</i>			
<b>Expenses</b>			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	914	914	0
Materials and Supplies	0	0	0
Claims	4,320	4,320	0
	<u>5,234</u>	<u>5,234</u>	<u>0</u>
<i>Total Expenses</i>			
<i>Excess of Revenues Over (Under) Expenses</i>	1,846	1,846	0
Operating Transfers In	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenses and Operating Transfers</i>	1,846	1,846	0
<i>Fund Equity Beginning of Year</i>	16,269	16,269	0
Prior Year Encumbrances Appropriated	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$18,115</u>	<u>\$18,115</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

Totals  
(Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$159,971	\$159,971	\$0
7,080	7,080	0
<u>37,233</u>	<u>37,233</u>	<u>0</u>
<u>204,284</u>	<u>204,284</u>	<u>0</u>
76,058	76,058	0
58,573	58,573	0
9,775	9,775	0
75,267	75,267	0
<u>4,320</u>	<u>4,320</u>	<u>0</u>
<u>223,993</u>	<u>223,993</u>	<u>0</u>
(19,709)	(19,709)	0
<u>19,014</u>	<u>19,014</u>	<u>0</u>
(695)	(695)	0
21,507	21,507	0
<u>844</u>	<u>844</u>	<u>0</u>
<u><u>\$21,656</u></u>	<u><u>\$21,656</u></u>	<u><u>\$0</u></u>

**Western Reserve Local School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Fiscal Year Ended June 30, 2003*

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$159,971	\$0	\$159,971
Cash Received from Quasi-External Transactions with Other Funds	0	7,080	7,080
Cash Payments to Suppliers for Goods and Services	(83,873)	(914)	(84,787)
Cash Payments to Employees for Services	(76,058)	0	(76,058)
Cash Payments for Employee Benefits	(58,573)	0	(58,573)
Cash Payments for Claims	0	(4,320)	(4,320)
Cash Received from Other Revenues	0	0	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(58,533)</i>	<i>1,846</i>	<i>(56,687)</i>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	37,233	0	37,233
Operating Transfers In	19,014	0	19,014
<i>Net Cash Provided by Noncapital Financing Activities</i>	<i>56,247</i>	<i>0</i>	<i>56,247</i>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<i>(2,286)</i>	<i>1,846</i>	<i>(440)</i>
<i>Cash and Cash Equivalents Beginning of Year</i>	<i>6,082</i>	<i>16,269</i>	<i>22,351</i>
<i>Cash and Cash Equivalents End of Year</i>	<i>\$3,796</i>	<i>\$18,115</i>	<i>\$21,911</i>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
<i>Operating Income (Loss)</i>	<i>(\$84,757)</i>	<i>\$1,983</i>	<i>(\$82,774)</i>
Adjustments:			
Depreciation	3,189	0	3,189
Donated Commodities Received During Year	19,530	0	19,530
Decrease in Inventory Held for Resale	669	0	669
Increase/(Decrease) in Liabilities:			
Accounts Payable	(242)	0	(242)
Accrued Wages and Benefits	(712)	0	(712)
Compensated Absences Payable	2,495	0	2,495
Intergovernmental Payable	1,295	0	1,295
Claims Payable	0	(137)	(137)
<i>Total Adjustments</i>	<i>26,224</i>	<i>(137)</i>	<i>26,087</i>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(\$58,533)</i>	<i>\$1,846</i>	<i>(\$56,687)</i>

**Non Cash Non Capital Financing Activities**

Federal Donated Commodities in the amount of \$19,530 were recorded as revenue when received.

See accompanying notes to the general purpose financial statements

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 1 - Description of the School District and Reporting Entity**

Western Reserve Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government. The School District is located in Berlin Center, Ohio, Mahoning County. The School District provides educational services as mandated by State and federal agencies. The Board of Education controls the School District's three instructional/support facilities staffed by 33 classified employees, 56 certified employees and 4 administrators who provide services to 845 students and other community members.

***Reporting Entity***

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

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

The School District participates in two jointly governed organizations and two public entity risk pools. These organizations are the Mahoning County Career and Technical Center, Area Cooperative Computerized Educational Service System, Mahoning County Schools Employee Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 8 and 16 to the general purpose financial statements.

**Note 2 - Summary of Significant Accounting Policies**

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***A. Basis Of Presentation - Fund Accounting***

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

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

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

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

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

***Special Revenue Funds*** Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

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

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



**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

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

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

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

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

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

***B. Measurement Focus and Basis of Accounting***

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund types operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

**Revenue Recognition** Revenue resulting from exchange transaction, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***C. Budgetary Process***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

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

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

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2003. Prior to year end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year. Amounts on the statement are based on the certificate in effect at the time the final appropriations were passed by the Board.

***Appropriations*** Upon receipt from the County Auditor an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations passed by the Board during the year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Prior to year end, the School District passed an amended appropriation measure which matched appropriations to expenditures plus encumbrances.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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

***D. Cash and Cash Equivalents***

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

During fiscal year 2003, investments were limited to non-negotiable certificates of deposit 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 \$15,756, which includes \$5,961 assigned from other School District funds.

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

***E. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include refunds of workers' compensation monies required by statute to be set-aside by the School District for budget stabilization. See Note 19 for additional information regarding set-asides.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***F. Inventory***

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

***G. Fixed Assets and Depreciation***

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

***H. Compensated Absences***

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

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

***I. Accrued Liabilities and Long-term Obligations***

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

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

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

***J. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***K. Fund Balance Reserves***

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of materials and supplies, bus purchases and budget stabilization.

The reserve for budget stabilization represents workers’ compensation money refunded from the State.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**L. Estimates**

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

**M. Totals Columns on General Purpose Financial Statements**

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

**Note 3 - Accountability**

**A. Fund Deficits**

Fund balances at June 30, 2003, included the following individual fund deficits:

Special Revenue Funds:	
Ohio Reads	\$124
Title VI-B	160
Title I	30
Drug Free School	4
Federal Grants	140
Enterprise Fund:	
Food Service	5,991

The deficits in the special revenue funds resulted from accruals on the modified accrual basis of accounting. The general fund is liable for any fund deficits and provides operating transfers when cash is required, rather than when accruals occur.

The deficit in the food service enterprise fund resulted from accruals on the modified accrual basis of accounting. The general fund is liable for any fund deficits and provides operating transfers when cash is required, rather than when accruals occur. Management is analyzing food service operations to determine how the deficit will be eliminated.

**Note 4 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual – All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$33,666)	(\$46,989)	(\$77,660)	\$44,808
Net Adjustment for				
Revenue Accruals	(225)	0	0	0
Net Adjustment for				
Expenditure Accruals	30,879	1,559	0	(36,971)
Reclassification for Debt:				
Taxes Revenue	0	0	55,000	(55,000)
Principal Retirement	0	0	(49,346)	49,346
Interest and Fiscal Charges	0	0	(5,654)	5,654
Encumbrances	(28,551)	(2,039)	0	(17,921)
Budget Basis	<u>(\$31,563)</u>	<u>(\$47,469)</u>	<u>(\$77,660)</u>	<u>(\$10,084)</u>



**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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Net Income(Loss)/Excess of Revenues  
Over (Under) Expenses and Operating Transfers  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$4,668)	\$1,983
Net Adjustment for Revenue Accruals	(23,842)	0
Net Adjustment for Expenditure Accruals	23,035	(137)
Depreciation Expense	3,189	0
Adjustment for Encumbrances	(255)	0
Budget Basis	(\$2,541)	\$1,846

**Note 5 - Deposits and Investments**

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held until maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Deposits** At year end, the carrying amount of the School District's deposits was \$1,028,641 and the bank balance was \$1,081,571. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$881,571 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution trust department or agent in the School District's name all State statutory requirements for the deposit of money have been followed, non compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Insurance Corporation.

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

## **Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value: public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-four percent for inventory.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 First		2003 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Argicultural/Residential				
And Other Real Estate	\$65,427,010	88.80%	\$66,625,700	88.63%
Public Utility Personal	4,885,790	6.63	4,846,150	6.45
Tangible Personal Property	3,366,480	4.57	3,699,110	4.92
	<u>\$73,679,280</u>	<u>100.00%</u>	<u>\$75,170,960</u>	<u>100.00%</u>

Tax Rate per \$1,000 of assessed valuation	\$45.20	\$45.05
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Mahoning County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003 and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. There was no amount available as an advance at June 30, 2003.

**Note 7 - Receivables**

Receivables at June 30, 2003 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and interest. All receivables are considered collectible in full.

Intergovernmental receivables consisted of \$10,569 in the food service enterprise fund for federal and state subsidies.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 8 - Jointly Governed Organizations**

**A. Mahoning County Career and Technical Center**

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts. During fiscal year 2003, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406.

**B. Area Cooperative Computerized Educational Service System**

The Area Cooperative Computerized Educational Service System (ACCESS) is a computer network which provides data services to twenty-eight school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based on a per pupil charge. Western Reserve Local School District paid \$15,912 to ACCESS during fiscal year 2003. ACCESS is governed by an assembly consisting of the superintendents or other designees of the member school districts. The assembly exercises total control over the operation of ACCESS including budgeting, appropriating, contracting and designating management. All of ACCESS revenues are generated from charges for services and State funding. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 427 West Main Street, Canfield, Ohio 44406.

**Note 9 - Fixed Assets**

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

	Totals
Furniture and Equipment	\$111,638
Less accumulated depreciation	(91,642)
Net Fixed Assets	\$19,996

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance 06/30/02	Additions	Deletions	Balance 06/30/03
Land	\$29,784	\$0	\$0	\$29,784
Buildings and Improvements	4,927,986	0	0	4,927,986
Furniture and Equipment	852,503	179,642	16,327	1,015,818
Vehicles	384,107	21,300	61,096	344,311
Totals	\$6,194,380	\$200,942	\$77,423	\$6,317,899

There was no significant construction in progress at June 30, 2003.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 10 - Risk Management**

**A. Workers' Compensation**

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**B. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with The Hartford Insurance for various types of insurance as follows:

Coverage	Amount	Deductible
Building and Contents-replacement cost	\$16,178,800	\$1,000
Boilers, Machinery/Equipment Breakdown	100,000	1,000
Money and Securities	5,000	0
Automobile Liability	1,000,000	1,000
Uninsured Motorists	50,000	1,000
Excess Auto		
Per occurrence	2,000,000	0
Total per year	2,000,000	0
General Liability		
Per occurrence	1,000,000	0
Total per year	3,000,000	0

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***C. Employee Medical Benefits***

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, prescription drug, and dental benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Western Reserve Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$971.09 for family coverage and \$392.47 for single coverage per employee per month. The School District pays \$58.04 for family dental coverage or \$25.30 for single dental coverage and \$212.06 for family and \$93.05 for single prescription drug coverage per month.

The School District has elected to provide vision benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews and pays all claims which are then reimbursed by the School District. The School District pays into the insurance reserve internal service fund \$10.00 for family vision coverage or \$5.00 for single vision coverage per employee per month. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$125 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in 2002 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$70	\$4,829	\$4,637	\$262
2003	262	4,183	4,320	125

**Note 11 - Employee Benefits**

***A. Life Insurance***

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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***B. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Administrators earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month with unlimited accumulation. Upon retirement, employees receive payment for sick leave accumulation up to a maximum of 30 days, plus twelve percent of their remaining accumulated sick leave.

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligation. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$44,278, \$29,694 and \$28,168 respectively; 48.48 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$22,813 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The School District participates in the School Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.



**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$330,796, \$227,403 and \$220,667 respectively; 86.52 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$44,590 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds.

**Note 13 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$25,446 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$55,290.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 14 - Fund Obligation**

As of June 30, 2002, the School District had an outstanding fund obligation for an energy conservation note of \$91,039. During 2003 the School District paid \$49,346 leaving a remaining balance of \$41,693 at June 30, 2003. The note will be paid off with tax revenue during the 2004 school year. Principal and interest payment necessary to retire this debt is \$41,693 and \$2,591 respectively. This note is backed by the full faith and credit of the School District. The note liability has been reflected in the permanent improvement capital projects fund, the fund which received the proceeds.

**Note 15 - Long Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

	<u>Principal Outstanding 06/30/02</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/03</u>
<i><b>General Long-Term Obligations</b></i>				
General Obligation Bonds 8%	\$75,000	\$0	\$75,000	\$0
Compensated Absences	491,866	24,666	0	516,532
Special Termination Benefit	60,540	28,050	60,540	28,050
Pension Obligation	40,354	44,443	40,354	44,443
<i>Total General Long-Term Obligations</i>	<u>\$667,760</u>	<u>\$97,159</u>	<u>\$175,894</u>	<u>\$589,025</u>

The general obligation bonds were paid from the debt service fund. Compensated absences, the special termination benefit and the pension obligation will be paid from the fund from which the employee is paid.

The School District's overall legal debt margin was \$6,773,848 with an unvoted debt margin of \$710,017 at June 30, 2003.

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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**Note 16 - Public Entity Risk Pools**

***A. Shared Risk Pool***

*Mahoning County Schools Employee Insurance Consortium* The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. A member can withdraw from participation in the Consortium by notifying the fiscal agent on or before January 15 of the year preceding the fiscal year in which the School District will withdraw. If the School District withdraws, no further contribution would be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

***B. Insurance Purchasing Pool***

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

**Note 17 - Contingencies**

***A. Grants***

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

***B. Litigation***

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

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

**Note 18 - Segment Information**

The School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, a school newsletter and manufacturing services. The table below reflects the more significant financial data relating to the enterprise funds of the Western Reserve Local School District as of and for the fiscal year ended June 30, 2003.

	Food Service	Uniform School Supplies	School Newsletter Enterprise	Special Services Manufacturing	Totals
Operating Revenues	\$136,796	\$3,689	\$13,150	\$6,336	\$159,971
Depreciation	3,189	0	0	0	3,189
Operating Income (Loss)	(83,226)	(765)	167	(933)	(84,757)
Federal Donated Commodities	19,530	0	0	0	19,530
Operating Grants	41,545	0	0	0	41,545
Operating Transfer In	18,883	131	0	0	19,014
Net Income (Loss)	(3,268)	(634)	167	(933)	(4,668)
Net Working Capital	(14,682)	0	1,111	2,512	(11,059)
Total Assets	33,366	1	1,252	2,543	37,162
Total Equity (Deficit)	(5,991)	1	1,111	2,512	(2,367)
Encumbrances at June 30, 2003	0	0	210	45	255

**Note 19 - Set-Aside Calculations and Fund 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be 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, 2003, only the unspent portion of certain workers' compensation refunds continue to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside reserve balance June 30, 2002	\$18,986	\$0	\$67,313
Current year set-aside requirement	109,686	109,686	0
Qualifying disbursements	(107,091)	(175,857)	0
Totals	\$21,581	(\$66,171)	\$67,313
Set-aside balance carried forward to future fiscal years	\$0	\$0	\$67,313
Set-aside reserve balance June 30, 2003	\$21,581	\$0	\$67,313

**Western Reserve Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. This extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$88,894.

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## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Western Reserve Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 23, 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 Western Reserve Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

In planning and performing our audit, we considered Western Reserve Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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.

Western Reserve Local School District  
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However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of Western Reserve Local School District in a separate letter dated December 23, 2003.

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

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

**Betty Montgomery**  
Auditor of State

December 23, 2003





**Auditor of State  
Betty Montgomery**

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Facsimile 614-466-4490

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2004**