



**Auditor of State  
Betty Montgomery**



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

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

To The Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Weathersfield Local School District, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 3 and 16 E, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and GASB Interpretation No.6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005, 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.

Management's Discussion and Analysis is not required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

March 31, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The management's discussion and analysis of the Weathersfield Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities decreased \$299,380 which represents a 15.69% decrease from 2003.
- General revenues accounted for \$7,013,288 in revenue or 77.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,980,180 or 22.02% of total revenues of \$8,993,468.
- The District had \$9,292,848 in expenses related to governmental activities; \$1,980,180 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,013,288 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$7,795,843 in revenues and \$7,973,926 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund deficit increased \$178,083 from \$83,609 to \$261,692.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statements of Fiduciary Net Assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>
	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>	
Current and other assets	\$ 4,437,295
Capital assets	<u>5,605,062</u>
Total assets	<u>10,042,357</u>
<b><u>Liabilities</u></b>	
Current liabilities	4,138,214
Long-term liabilities	<u>4,295,923</u>
Total liabilities	<u>8,434,137</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	1,972,322
Restricted	306,324
Unrestricted (deficit)	<u>(670,426)</u>
Total net assets	<u>\$ 1,608,220</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$1,608,220. Of this total, \$306,324 is restricted in use.

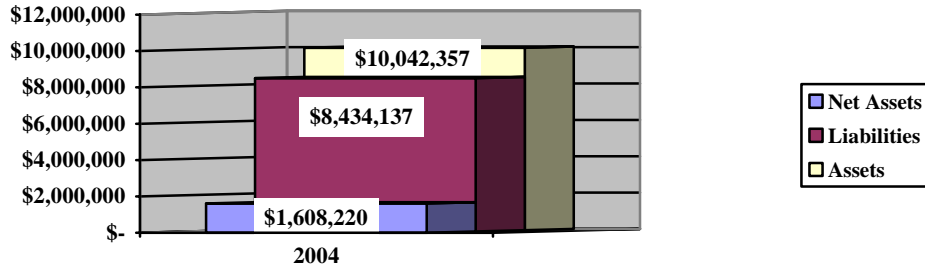
At year-end, capital assets represented 55.81% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$1,972,322. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$306,324, represents resources that are subject to external restriction on how they may be used. The remaining deficit of unrestricted net assets of \$670,426 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 1,264,987
Operating grants and contributions	641,820
Capital grants and contributions	73,373
General revenues:	
Property taxes	3,405,973
Grants and entitlements	3,408,903
Investment earnings	16,382
Other	182,030
Total revenues	8,993,468

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 4,298,887
Special	892,171
Other	180,859
Support services:	
Pupil	387,279
Instructional staff	170,882
Board of education	6,218
Administration	705,692
Fiscal	342,253
Business	10,049
Operations and maintenance	1,060,963
Pupil transportation	407,426
Central	9,000
Food service operations	345,273
Operations of non-instructional services	4,058
Extracurricular activities	310,390
Interest and fiscal charges	<u>161,448</u>
Total expenses	<u>9,292,848</u>
Change in net assets	(299,380)
Net assets at beginning of year	<u>1,907,600</u>
Net assets at end of year	<u><u>\$ 1,608,220</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$299,380. Total governmental expenses of \$9,292,848 were offset by program revenues of \$1,980,180 and general revenues of \$7,013,288. Program revenues supported 21.31% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 75.78% of total governmental revenue.

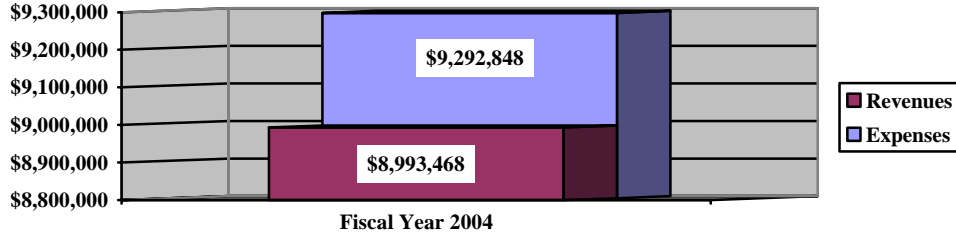
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,371,917 or 57.81% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

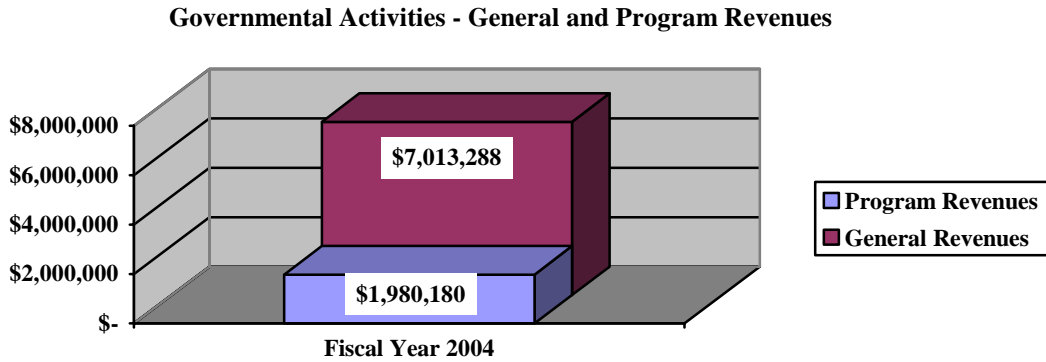
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 4,298,887	\$ 3,264,608
Special	892,171	525,698
Other	180,859	180,859
Support services:		
Pupil	387,279	377,869
Instructional staff	170,882	153,825
Board of education	6,218	4,184
Administration	705,692	686,392
Fiscal	342,253	342,253
Business	10,049	10,049
Operations and maintenance	1,060,963	987,590
Pupil transportation	407,426	407,426
Central	9,000	-
Food service operations	345,273	(1,282)
Operations of non-instructional services	4,058	4,058
Extracurricular activities	310,390	207,691
Interest and fiscal charges	161,448	161,448
<b>Total expenses</b>	<u>\$ 9,292,848</u>	<u>\$ 7,312,668</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon tax and other general revenues for governmental activities is apparent, 73.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.69%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$44,483, which is lower than last year's total of \$251,071. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance (Deficit) <u>June 30, 2004</u>	Fund Balance (Deficit) <u>June 30, 2003</u>	<u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (261,692)	\$ (83,609)	\$ (178,083)	(213.00) %
Other Governmental	<u>306,175</u>	<u>334,680</u>	<u>(28,505)</u>	(8.52) %
Total	<u>\$ 44,483</u>	<u>\$ 251,071</u>	<u>\$ (206,588)</u>	(82.28) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**General Fund**

The District's general fund balance decreased \$178,083 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to decreasing expenditures still exceeding increased revenues. Expenditures exceed revenues for fiscal year 2004 by \$122,843. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 3,291,939	\$ 3,184,933	\$ 107,006	3.36 %
Tuition	931,590	847,449	84,141	9.93 %
Earnings on investments	15,978	49,134	(33,156)	(67.48) %
Intergovernmental	3,394,415	3,315,091	79,324	2.39 %
Other revenues	<u>161,921</u>	<u>3,954</u>	<u>157,967</u>	3,995.12 %
Total	<u>\$ 7,795,843</u>	<u>\$ 7,400,561</u>	<u>\$ 395,282</u>	5.34 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,719,819	\$ 4,711,436	\$ 8,383	0.18 %
Support services	2,855,996	2,948,671	(92,675)	(3.14) %
Non-instructional services	1,563	-	1,563	100.00 %
Extracurricular activities	142,354	140,957	1,397	0.99 %
Debt service	<u>198,954</u>	<u>189,181</u>	<u>9,773</u>	5.17 %
Total	<u>\$ 7,918,686</u>	<u>\$ 7,990,245</u>	<u>\$ (71,559)</u>	(0.90) %

Other revenues increased \$157,967 or 3,995.12% from the prior year. This increase is attributed to an increase in the amount of classroom materials and fees the District received in 2004. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. All other revenues and expenditures remained comparable to 2003.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,767,497 and final budgeted revenues and other financing sources were \$7,961,697. Actual revenues and other financing sources for fiscal 2004 was \$8,023,762. This represents a \$62,065 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,999,441 were increased to \$8,221,649 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$8,237,644, which was \$15,995 higher than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$5,605,062 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 60,088	\$ 60,088
Land improvements	472,949	499,915
Building and improvements	3,794,136	3,944,502
Furniture and equipment	1,063,685	1,123,420
Vehicles	214,204	251,177
Total	\$ 5,605,062	\$ 5,879,102

The overall decrease in capital assets of \$274,040 is due to depreciation expense of \$364,546 and disposals of \$6,190 (net of accumulated depreciation) exceeding capital outlays of \$96,696 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2004, the District had \$1,791,965 in lease purchase agreements, \$5,775 in notes payable and \$1,835,000 in general obligation bonds outstanding. Of this total, \$199,644 is due within one year and \$3,433,096 is due within greater than one year. The following table summarizes the lease purchase agreements, notes and bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2004	2003
Lease purchase agreements	\$ 1,791,965	\$ 1,891,643
Notes payable	5,775	15,675
General obligation bonds	1,835,000	1,920,000
Total	\$ 3,632,740	\$ 3,827,318

At June 30, 2004, the District's overall legal debt margin was \$7,169,283, and an unvoted debt margin of \$97,849.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District, as most districts in the state, faces serious financial challenges in its future. The greatest financial impact to the District is coming from its dependence upon personal property taxes, most notably, taxes on inventory. Am. Sub. House Bill 283 and SB 95, dealing with the gradual reduction in the assessment rate of inventory until the tax on inventory is phased out, will result in a significant loss of revenue to the District. In a 1997 analysis by the Ohio Department of Taxation, Weathersfield Schools was ranked as 7th in the State as far as dependence upon inventory taxes. The State of Ohio has not instituted a revenue replacement mechanism for this loss of inventory tax revenue due to its gradual elimination.

In addition to the phase-out of inventory taxes, the District also faces a potential loss of revenue due to prior year refunds of personal property taxes from its largest employer within its boundaries, RMI Titanium. As of June 30, 2004, these refunds were being reviewed by the Ohio Department of Taxation and a determination has not yet been reached.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angela Lewis, Treasurer, Weathersfield Local School District, 3750 N. Main Street, Mineral Ridge, Ohio 44440.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 841,034
Receivables:	
Taxes . . . . .	3,462,978
Accounts . . . . .	3,530
Intergovernmental . . . . .	77,293
Accrued interest . . . . .	583
Prepayments . . . . .	44,295
Materials and supplies inventory . . . . .	7,582
Capital assets:	
Land . . . . .	60,088
Depreciable capital assets, net . . . . .	5,544,974
Capital assets, net. . . . .	<u>5,605,062</u>
 Total assets. . . . .	 <u>10,042,357</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	24,904
Contracts payable. . . . .	13,581
Accrued wages and benefits . . . . .	590,915
Pension obligation payable. . . . .	180,167
Intergovernmental payable . . . . .	58,397
Deferred revenue . . . . .	3,264,408
Accrued interest payable . . . . .	5,842
Long-term liabilities:	
Due within one year. . . . .	359,184
Due within more than one year . . . . .	3,936,739
 Total liabilities . . . . .	 <u>8,434,137</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,972,322
Restricted for:	
Capital projects . . . . .	17,855
Debt service. . . . .	200,282
Other purposes . . . . .	88,187
Unrestricted (deficit) . . . . .	<u>(670,426)</u>
 Total net assets . . . . .	 <u>\$ 1,608,220</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,298,887	\$ 963,325	\$ 70,954	\$ -
Special . . . . .	892,171	-	366,473	-
Other . . . . .	180,859	-	-	-
Support services:				
Pupil . . . . .	387,279	4,558	4,852	-
Instructional staff . . . . .	170,882	-	17,057	-
Board of education . . . . .	6,218	2,034	-	-
Administration . . . . .	705,692	9,567	9,733	-
Fiscal . . . . .	342,253	-	-	-
Business . . . . .	10,049	-	-	-
Operations and maintenance . . . . .	1,060,963	-	-	73,373
Pupil transportation . . . . .	407,426	-	-	-
Central . . . . .	9,000	-	9,000	-
Operation of non-instructional services:				
Food service operations . . . . .	345,273	182,804	163,751	-
Other non-instructional services . . . . .	4,058	-	-	-
Extracurricular activities . . . . .	310,390	102,699	-	-
Interest and fiscal charges . . . . .	161,448	-	-	-
<b>Total governmental activities . . . . .</b>	<b>\$ 9,292,848</b>	<b>\$ 1,264,987</b>	<b>\$ 641,820</b>	<b>\$ 73,373</b>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .

Debt service . . . . .

Grants and entitlements not restricted to specific programs . . . . .

Investment earnings . . . . .

Miscellaneous . . . . .

Total general revenues . . . . .

Change in net assets . . . . .

**Net assets at beginning of year (restated) .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense)  
Revenue and  
Changes in  
Net Assets**

---

**Governmental  
Activities**

---

\$ (3,264,608)  
(525,698)  
(180,859)

(377,869)  
(153,825)  
(4,184)  
(686,392)  
(342,253)  
(10,049)  
(987,590)  
(407,426)  
-

1,282  
(4,058)  
(207,691)  
(161,448)

---

(7,312,668)

---

3,251,459  
154,514

3,408,903  
16,382  
182,030

---

7,013,288

---

(299,380)

1,907,600

---

\$ 1,608,220

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 501,417	\$ 339,617	\$ 841,034
Receivables:			
Taxes . . . . .	3,304,858	158,120	3,462,978
Accounts . . . . .	3,530	-	3,530
Intergovernmental . . . . .	-	77,293	77,293
Accrued interest . . . . .	583	-	583
Interfund receivable . . . . .	42,000	-	42,000
Prepayments . . . . .	44,295	-	44,295
Materials and supplies inventory . . . . .	-	7,582	7,582
Total assets . . . . .	<u>\$ 3,896,683</u>	<u>\$ 582,612</u>	<u>\$ 4,479,295</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 14,345	\$ 10,559	\$ 24,904
Contracts payable . . . . .	-	13,581	13,581
Accrued wages and benefits . . . . .	553,581	37,334	590,915
Compensated absences payable . . . . .	141,252	4,623	145,875
Pension obligation payable. . . . .	107,928	6,596	114,524
Intergovernmental payable. . . . .	53,935	4,462	58,397
Interfund payable. . . . .	-	42,000	42,000
Deferred revenue. . . . .	3,287,334	157,282	3,444,616
Total liabilities . . . . .	<u>4,158,375</u>	<u>276,437</u>	<u>4,434,812</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	26,362	15,320	41,682
Reserved for materials and supplies inventory. . . . .	-	7,582	7,582
Reserved for prepayments . . . . .	44,295	-	44,295
Reserved for property tax unavailable for appropriation . . . . .	17,524	838	18,362
Reserved for debt service. . . . .	-	197,058	197,058
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	(349,873)	-	(349,873)
Special revenue funds. . . . .	-	67,644	67,644
Capital projects funds. . . . .	-	17,733	17,733
Total fund balances (deficit) . . . . .	<u>(261,692)</u>	<u>306,175</u>	<u>44,483</u>
Total liabilities and fund balances . . . . .	<u>\$ 3,896,683</u>	<u>\$ 582,612</u>	<u>\$ 4,479,295</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$ 44,483
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,605,062
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		180,208
Long-term liabilities, including bonds, notes and lease-purchase agreements payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(517,308)	
Pension obligation payable	(65,643)	
Lease-purchase agreements payable	(1,791,965)	
Note payable	(5,775)	
General obligation bonds payable	(1,835,000)	
Accrued interest payable	(5,842)	
Total		(4,221,533)
<b>Net assets of governmental activities</b>		\$ 1,608,220

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,291,939	\$ 156,965	\$ 3,448,904
Tuition. . . . .	931,590	-	931,590
Charges for services. . . . .	-	182,804	182,804
Earnings on investments. . . . .	15,978	404	16,382
Extracurricular. . . . .	-	116,824	116,824
Classroom materials and fees. . . . .	-	31,735	31,735
Other local revenues. . . . .	161,921	95,516	257,437
Intergovernmental - State. . . . .	3,393,007	106,680	3,499,687
Intergovernmental - Federal . . . . .	1,408	550,194	551,602
Total revenue . . . . .	<u>7,795,843</u>	<u>1,241,122</u>	<u>9,036,965</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,933,091	127,442	4,060,533
Special. . . . .	605,869	349,929	955,798
Other. . . . .	180,859	-	180,859
Support services:			
Pupil. . . . .	372,713	13,436	386,149
Instructional staff . . . . .	158,411	15,857	174,268
Board of education . . . . .	6,218	-	6,218
Administration. . . . .	663,897	54,535	718,432
Fiscal . . . . .	331,911	5,806	337,717
Business . . . . .	10,049	-	10,049
Operations and maintenance. . . . .	939,517	11,332	950,849
Pupil transportation . . . . .	373,280	-	373,280
Central. . . . .	-	9,000	9,000
Food service operations . . . . .	-	354,529	354,529
Other non-instructional services. . . . .	1,563	2,495	4,058
Extracurricular activities. . . . .	142,354	105,874	248,228
Facilities acquisition and construction . . . . .	-	117,381	117,381
Debt service:			
Principal retirement . . . . .	109,578	85,000	194,578
Interest and fiscal charges . . . . .	89,376	72,251	161,627
Total expenditures . . . . .	<u>7,918,686</u>	<u>1,324,867</u>	<u>9,243,553</u>
Excess of revenues under expenditures . . . . .	<u>(122,843)</u>	<u>(83,745)</u>	<u>(206,588)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	55,240	55,240
Transfers (out). . . . .	(55,240)	-	(55,240)
Total other financing sources (uses) . . . . .	<u>(55,240)</u>	<u>55,240</u>	<u>-</u>
Net change in fund balances . . . . .	(178,083)	(28,505)	(206,588)
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>			
	<u>(83,609)</u>	<u>334,680</u>	<u>251,071</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (261,692)</u>	<u>\$ 306,175</u>	<u>\$ 44,483</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(206,588)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$364,546) exceeds capital outlays (\$96,696) in the current period.		(267,850)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(6,190)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(43,497)
Repayment of bond, note and lease-purchase agreements principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		194,578
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		179
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		29,988
		29,988
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(299,380)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,191,964	\$ 3,278,491	\$ 3,283,778	\$ 5,287
Tuition. . . . .	908,487	931,596	928,901	(2,695)
Earnings on investments. . . . .	14,911	15,290	15,688	398
Other local revenues . . . . .	5,731	5,877	5,977	100
Intergovernmental - State . . . . .	3,283,131	3,367,135	3,367,036	(99)
Intergovernmental - Federal. . . . .	1,373	1,408	1,408	-
Total revenue . . . . .	<u>7,405,597</u>	<u>7,599,797</u>	<u>7,602,788</u>	<u>2,991</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,724,323	3,867,746	3,865,411	2,335
Special. . . . .	592,175	619,316	618,910	406
Other. . . . .	173,640	181,598	181,594	4
Support services:				
Pupil. . . . .	388,110	366,530	366,574	(44)
Instructional staff . . . . .	153,440	160,120	159,235	885
Board of education . . . . .	5,929	6,201	6,218	(17)
Administration. . . . .	659,577	673,027	672,533	494
Fiscal . . . . .	322,530	331,290	332,774	(1,484)
Business . . . . .	13,738	14,368	10,049	4,319
Operations and maintenance. . . . .	1,054,288	1,092,657	1,058,954	33,703
Pupil transportation . . . . .	401,469	419,869	402,091	17,778
Operation of non-instructional services . . . . .	1,506	1,575	1,563	12
Extracurricular activities. . . . .	137,369	143,665	142,944	721
Facilities acquisition and construction. . . . .	116,107	88,447	88,447	-
Total expenditures . . . . .	<u>7,744,201</u>	<u>7,966,409</u>	<u>7,907,297</u>	<u>59,112</u>
Excess of revenues over (under) expenditures. . . . .	<u>(338,604)</u>	<u>(366,612)</u>	<u>(304,509)</u>	<u>62,103</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	159,900	159,900	159,896	(4)
Transfers in. . . . .	200,000	200,000	233,107	33,107
Transfers (out) . . . . .	(55,240)	(55,240)	(288,347)	(233,107)
Advances (out) . . . . .	(200,000)	(200,000)	(42,000)	158,000
Other sources of funds . . . . .	-	-	25,971	25,971
Proceeds from sale of capital assets. . . . .	2,000	2,000	2,000	-
Total other financing sources (uses) . . . . .	<u>106,660</u>	<u>106,660</u>	<u>90,627</u>	<u>(16,033)</u>
Net change in fund balance . . . . .	(231,944)	(259,952)	(213,882)	46,070
<b>Fund balance at beginning of year. . . . .</b>	646,044	646,044	646,044	-
<b>Prior year encumbrances appropriated . . . . .</b>	39,415	39,415	39,415	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 453,515</u>	<u>\$ 425,507</u>	<u>\$ 471,577</u>	<u>\$ 46,070</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 15,009
Total assets. . . . .	\$ 15,009
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,937
Due to students . . . . .	13,072
Total liabilities . . . . .	\$ 15,009

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**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 478<sup>th</sup> largest by total enrollment among the 613 public school districts in the State of Ohio. The District is staffed by 38 non-certificated and 83 certificated personnel to provide services to approximately 1,068 students and other community members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**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 Districts. 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 Joint Vocational School, 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, 100 DeBartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

*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 to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the District's major governmental fund:

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, 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 District, available means expected to be received within sixty days of fiscal year-end.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred 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, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the 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 fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2004, investments were limited to repurchase agreements.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$15,978, which includes \$5,884 assigned from other funds. Based on Ohio statutes the Capital Project, Food Service and Expendable Trust fund also received interest.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, debt service and BWC refunds. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity".

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance -** Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ (92,319)	\$ 319,210	\$ 226,891
Fund reclassifications	-	15,470	15,470
Implementation of GASB Interpretation No. 6	8,710	-	8,710
Restated fund balance, June 30, 2003	<u>\$ (83,609)</u>	<u>\$ 334,680</u>	<u>\$ 251,071</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 251,071
GASB 34 adjustments:	
Long-term (deferred) assets	223,705
Capital assets	5,879,102
Accrued interest payable	(6,021)
Pension obligation	(55,310)
Long-term liabilities	(4,384,947)
Governmental activities net assets, June 30, 2003	<u>\$ 1,907,600</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
General Fund	\$ 261,692
<u>Nonmajor Funds</u>	
Food Service	5,797
Management Information Systems	258
Disadvantaged Pupil Impact Aid	9,850
Title IV	15
Title VI-R 2002	8,656

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**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". 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 finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 180 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 instrument 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 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 financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

*Deposits:* At year-end, the carrying amount of the District's deposits was \$11,254 and the bank balance was \$46,807. The entire bank balance was covered by federal depository insurance.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Collateral is required for demand deposits and certificates of deposit 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:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal 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>\$ 844,689</u>	<u>\$ 844,689</u>	<u>\$ 844,689</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 856,043	\$ -
Investments of the cash management pool:		
Repurchase agreement	(844,689)	844,689
Cash on hand	<u>(100)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 11,254</u>	<u>\$ 844,689</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 42,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 55,240

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. 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.

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$17,524 in the general fund and \$838 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$9,363 in the general fund and \$471 in the debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 51,020,950	52.70	\$ 52,358,580	53.51
Commercial/industrial real estate	12,413,050	12.80	12,665,650	12.94
Public utility personal	6,067,660	6.30	5,743,810	5.87
Tangible personal property	<u>27,273,074</u>	<u>28.20</u>	<u>27,080,703</u>	<u>27.68</u>
<b>Total</b>	<b><u>\$ 96,774,734</u></b>	<b><u>100.00</u></b>	<b><u>\$ 97,848,743</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation				
General	\$ 44.50		\$ 49.30	
Debt service	1.70		1.70	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 3,462,978
Accounts	3,530
Accrued interest	583
Intergovernmental	<u>77,293</u>
<b>Total</b>	<b><u>\$ 3,544,384</u></b>

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to errors and omissions reported in prior years, the depreciation of capital assets in accordance with GASB Statement No. 34, and to include land values not reported in the prior year.

	Balance <u>6/30/03</u>	<u>Adjustments</u>	Restated Balance <u>6/30/03</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 60,088	\$ 60,088
Total capital assets, not being depreciated	<u>-</u>	<u>60,088</u>	<u>60,088</u>
Capital assets, being depreciated:			
Land improvements	894,684	(2,394)	892,290
Buildings and improvements	7,102,839	14,323	7,117,162
Furniture and equipment	2,922,516	82,259	3,004,775
Vehicles	541,173	-	541,173
Total capital assets, being depreciated	<u>11,461,212</u>	<u>94,188</u>	<u>11,555,400</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(5,736,386)</u>	<u>(5,736,386)</u>
Governmental activities capital assets, net	<u>\$ 11,461,212</u>	<u>\$ (5,582,110)</u>	<u>\$ 5,879,102</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 60,088	\$ -	\$ -	\$ 60,088
Total capital assets, not being depreciated	<u>60,088</u>	<u>-</u>	<u>-</u>	<u>60,088</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	892,290	-	-	892,290
Buildings and improvements	7,117,162	-	-	7,117,162
Furniture and equipment	3,004,775	96,696	(11,985)	3,089,486
Vehicles	541,173	-	-	541,173
Total capital assets, being depreciated	<u>11,555,400</u>	<u>96,696</u>	<u>(11,985)</u>	<u>11,640,111</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(392,375)	(26,966)	-	(419,341)
Buildings and improvements	(3,172,660)	(150,366)	-	(3,323,026)
Furniture and equipment	(1,881,355)	(150,241)	5,795	(2,025,801)
Vehicles	(289,996)	(36,973)	-	(326,969)
Total accumulated depreciation	<u>(5,736,386)</u>	<u>(364,546)</u>	<u>5,795</u>	<u>(6,095,137)</u>
Governmental activities capital assets, net	<u>\$ 5,879,102</u>	<u>\$ (267,850)</u>	<u>\$ (6,190)</u>	<u>\$ 5,605,062</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 234,136
Special	5,306

Support Services:

Pupil	1,885
Instructional staff	4,723
Administration	6,095
Fiscal	1,028
Operations and maintenance	8,137
Pupil transportation	33,737
Extracurricular activities	67,535
Food service operations	1,964
Total depreciation expense	<u>\$ 364,546</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**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 2004, the District made \$48,678 in principal payments on the lease-purchase agreement.

Capital assets consisting of land improvements and building improvements have been capitalized in the amount of \$950,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements.

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, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 86,268
2006	86,268
2007	86,268
2008	86,268
2009	86,268
2010 - 2014	431,340
2015 - 2016	<u>172,534</u>
Total minimum lease payments	1,035,214
Less amount representing interest	<u>(248,573)</u>
Total	<u>\$ 786,641</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 9 - LEASE-PURCHASE AGREEMENTS - (Continued)**

- B.** On March 1, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the Ohio Association of School Board Officials (OASBO) Expanded Asset Pooled Financing Program) for building improvements throughout the District. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the District. The District made \$51,000 in principal payments during fiscal year 2004. Principal and interest payments will be recorded as debt service expenditures in the general fund.

As of June 30, 2004, capital assets consisting of building improvements have been capitalized in the amount of \$1,095,324. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements.

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, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 102,243
2006	102,565
2007	102,740
2008	101,793
2009	101,723
2010 - 2014	507,909
2015 - 2016	<u>378,144</u>
Total minimum lease payments	1,397,117
Less amount representing interest	<u>(391,793)</u>
Total	<u>\$ 1,005,324</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 Seaborn 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 government-wide financial statements. During fiscal year 2004 the District made \$85,000 in principal payments on the bonds. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2004, are as follows:

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	100,000	58,378	158,378
2010 - 2014	396,772	393,943	790,715
2015 - 2019	528,228	258,354	786,582
2020 - 2023	<u>440,000</u>	<u>32,062</u>	<u>472,062</u>
Total	<u>\$ 1,835,000</u>	<u>\$ 1,006,895</u>	<u>\$ 2,841,895</u>

- 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 2004, 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, 2004:

Fiscal Year <u>Ending June 30,</u>	<u>Amount</u>
2005	<u>\$ 5,775</u>
Total	<u>\$ 5,775</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

C. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$537,367 to \$611,269 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$48,124 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$25,778 from \$4,412,809 to \$4,438,587. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 611,269	\$ 118,542	\$ (66,628)	\$ 663,183	\$ 159,540
Lease-purchase agreements payable	1,891,643	-	(99,678)	1,791,965	103,869
Notes payable	15,675		(9,900)	5,775	5,775
General obligation bonds payable	<u>1,920,000</u>	<u>-</u>	<u>(85,000)</u>	<u>1,835,000</u>	<u>90,000</u>
Total long-term obligations, governmental activities	<u>\$ 4,438,587</u>	<u>\$ 118,542</u>	<u>\$ (261,206)</u>	<u>\$ 4,295,923</u>	<u>\$ 359,184</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 lease-purchase agreements will be paid from the general fund. The general obligation bonds will be paid from the debt service fund.

**D. 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, 2004 are a voted debt margin of \$7,169,283 (including available funds of \$197,896) and an unvoted debt margin of \$97,849.

**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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

**B. Early Retirement Incentive**

The District has offered its certified personnel an early retirement incentive (ERI). The ERI is effective for the period July 16, 2000 through July 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, 2004, 9 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 government-wide financial statements.

**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.

**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 2004, the District contracted with Indiana Insurance for property insurance and inland marine coverage; and with Nationwide Insurance for fleet and liability insurance. Coverages are as follows:

<i>Hartford - Harcum-Hyre Insurance provider for:</i>	
Building and Contents - replacement cost (\$5,000 deductible) \$	27,213,200
Inland Marine Coverage (\$1,000 deductible)	
Boiler Insurance (\$1,000 deductible)	
Crime / Dishonesty Insurance (\$1,000 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. Also, the District has not materially reduced its coverage in the past year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

	<u>Family Coverage</u>	<u>Single Coverage</u>
Medical and prescription drug	\$934.14	\$361.21
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 \$2.00 deductible for name brand and generic drugs.

**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.

**NOTE 13 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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, 2004, 2003, and 2002 were \$140,203, \$141,929, and \$131,560, respectively; 84.17% has been contributed for fiscal year 2004 and 100% has been contributed for fiscal years 2003 and 2002. \$87,204 represents the unpaid contribution for fiscal year 2004.

**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. 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. Contributions to the DC and Combined Plans for fiscal 2004 were \$1,260 made by the District and \$1,551 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% 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 years 2004 and 2003, 13% 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, 2004, 2003, and 2002 were \$552,395, \$547,020, and \$514,408, respectively; 45.98% has been contributed for fiscal year 2004 and 100% has been contributed for fiscal years 2003 and 2002. \$75,744 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 14 - 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 \$39,457 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

For fiscal year 2004, the minimum pay has been established at \$25,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$66,703 during the 2004 fiscal year.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ (213,882)
Net adjustment for revenue accruals	193,055
Net adjustment for expenditure accruals	(41,229)
Net adjustment for other sources/uses	(145,867)
Adjustment for encumbrances	<u>29,840</u>
GAAP basis	<u>\$ (178,083)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**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. Repayment of Taxes**

The District may be required to repay \$434,396 in disputed taxes paid by RMI Corporation on equipment intended for military use. The dispute is being heard by the Ohio Department of Taxation and its ruling is expected sometime in 2005.

**E. Fiscal Caution**

The District was placed in fiscal caution on March 31, 2003 in accordance with Ohio Revised Code Section 3316.031(B).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ (568,920)	\$ -	\$ 33,107
Offset Credit	-	\$ (2,000,000)	-
Current year set-aside requirement	151,325	151,325	-
Qualifying disbursements	<u>(66,137)</u>	<u>(228,882)</u>	<u>(33,107)</u>
Total	<u>\$ (483,732)</u>	<u>\$ (2,077,557)</u>	<u>\$ -</u>
Cash balance carried forward to FY 2005	<u>\$ (483,732)</u>	<u>\$ (2,000,000)</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year or offset credits 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$23,827	-	\$23,827
School Breakfast Program	05-PU 03 05-PU 04	10.553	\$ 2,885 6,156	- -	\$ 2,885 6,156	- -
<b>Subtotal -- School Breakfast Program</b>			<u>9,041</u>	<u>-</u>	<u>9,041</u>	<u>-</u>
National School Lunch Program	LL-P4-2003 LL-P4-2004	10.555	28,150 80,328	- -	28,150 80,328	- -
<b>Subtotal -- School National School Lunch Program</b>			<u>108,478</u>	<u>-</u>	<u>108,478</u>	<u>-</u>
<b>Total U.S. Department of Agriculture -- Nutrition Cluster</b>			<u><b>117,519</b></u>	<u><b>23,827</b></u>	<u><b>117,519</b></u>	<u><b>23,827</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the Ohio Department of Jobs and Family Services:</i>						
Temporary Assistance for Needy Females		93.558	<b>1,407</b>	-	<b>1,407</b>	-
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 03 C1-S1 04	84.010	14,127 151,124	- -	22,988 172,643	- -
<b>Total -- Title I School Subsidy</b>			<u><b>165,251</b></u>	<u>-</u>	<u><b>195,631</b></u>	<u>-</u>
<i>Special Education Grants Cluster:</i>						
Title VI - B Special Education Grants to States	6B-SF-2004	84.027	<b>111,729</b>	-	<b>120,242</b>	-
<b>Safe and Drug Free Schools Grant</b>	DR-S1-2003	84.186	<b>4,852</b>	-	<b>4,852</b>	-
<b>Innovative Education Program Strategies Title V</b>	C2-S1-2003	84.298	<b>5,757</b>	-	<b>5,757</b>	-
<b>Technology Literacy Challenge Fund Grants Title II - D</b>	TJ-S1-2003	84.318	(156) 4,870	- -	36 4,569	- -
			<u><b>4,714</b></u>	<u>-</u>	<u><b>4,605</b></u>	<u>-</u>
<b>Improving Teacher Quality State Grants Title II - A</b>	TR-S1-2003 TR-S1-2004	84.367	4,193 50,443	- -	6,385 50,443	- -
			<u><b>54,636</b></u>	<u>-</u>	<u><b>56,828</b></u>	<u>-</u>
<b>Total -- U.S. Department of Education</b>			<u><b>346,939</b></u>	<u>-</u>	<u><b>387,915</b></u>	<u>-</u>
<b>Totals</b>			<u><b>\$ 465,865</b></u>	<u><b>\$23,827</b></u>	<u><b>\$ 506,841</b></u>	<u><b>\$23,827</b></u>

*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, 2004**

**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, 2004, 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.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANT'S REPORT 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 the governmental activities, each major fund, and the aggregate remaining fund information of the Weathersfield Local School District, Trumbull County (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2005. As described in Note 3, during the year ended June 30, 2004, the District adopted Governmental Accounting Standards Board Statement 34 and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Weathersfield Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Weathersfield Local School District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 March 31, 2005.

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

This report is intended for the information and use of the audit committee, management, 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

March 31, 2005



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT 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, (the District), Trumbull County 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 its major federal program for the year ended June 30, 2004. Weathersfield Local School District's major federal program is 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 its major federal program is the responsibility of the Weathersfield Local School District's management. Our responsibility is to express an opinion on the 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 its major federal program for the year ended June 30, 2004.

### **Internal Control Over Compliance**

The management of the 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 the 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 the audit committee, 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

March 31, 2005

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2004**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Program's Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title One CFDA # 84.010 Nutrition Cluster CFDA #'s 10.550, 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: > \$100,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

<b>Finding Number</b>	<b>None</b>
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>Finding Number</b>	<b>None</b>
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**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MAY 5, 2005**