

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

REPORT OF INDEPENDENT ACCOUNTANTS

Weathersfield Local School District
Trumbull County
3750 North Main Street
Mineral Ridge, Ohio 44440-7476

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Weathersfield Local School District, Trumbull County, (the Government) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Weathersfield Local School District, Trumbull County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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Jim Petro
Auditor of State

April 28, 2000

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Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,575,861	\$114,805	\$4,550	\$137,249
Cash and Cash Equivalents				
With Fiscal Agents	0	0	134	0
Receivables:				
Taxes	3,240,913	0	0	0
Intergovernmental	0	240	0	0
Interfund Receivable	95,548	0	0	0
Prepaid Items	47,207	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	33,107	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$4,992,636	\$115,045	\$4,684	\$137,249

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$16,933	\$16,827	\$0	\$0	\$1,866,225
0	0	0	0	134
0	0	0	0	3,240,913
21,811	0	0	0	22,051
0	0	0	0	95,548
2,195	0	0	0	49,402
3,399	0	0	0	3,399
2,087	0	0	0	2,087
0	0	0	0	33,107
17,139	0	7,894,656	0	7,911,795
0	0	0	4,550	4,550
0	0	0	598,779	598,779
<u>\$63,564</u>	<u>\$16,827</u>	<u>\$7,894,656</u>	<u>\$603,329</u>	<u>\$13,827,990</u>

Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$59,800	\$0	\$0	\$0
Accrued Wages and Benefits	492,076	18,768	0	0
Compensated Absences Payable	32,663	0	0	0
Interfund Payable	0	40,920	0	54,628
Intergovernmental Payable	130,812	4,198	0	0
Deferred Revenue	3,236,456	0	0	0
Due to Students	0	0	0	0
Matured Interest Payable	0	0	134	0
Energy Conservation Loan Payable	0	0	0	0
Total Liabilities	3,951,807	63,886	134	54,628
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	557,581	32,526	0	26,718
Reserved for Budget Stabilization	33,107	0	0	0
Reserved for Property Taxes	4,457	0	0	0
Unreserved, Undesignated	445,684	18,633	4,550	55,903
Total Fund Equity and Other Credits	1,040,829	51,159	4,550	82,621
Total Liabilities, Fund Equity and Other Credits	\$4,992,636	\$115,045	\$4,684	\$137,249

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$393	\$0	\$0	\$0	\$60,193
19,888	0	0	0	530,732
14,557	0	0	451,375	498,595
0	0	0	0	95,548
9,324	0	0	40,956	185,290
3,399	0	0	0	3,239,855
0	16,827	0	0	16,827
0	0	0	0	134
0	0	0	110,998	110,998
<u>47,561</u>	<u>16,827</u>	<u>0</u>	<u>603,329</u>	<u>4,738,172</u>
0	0	7,894,656	0	7,894,656
2,720	0	0	0	2,720
13,283	0	0	0	13,283
0	0	0	0	616,825
0	0	0	0	33,107
0	0	0	0	4,457
0	0	0	0	524,770
<u>16,003</u>	<u>0</u>	<u>7,894,656</u>	<u>0</u>	<u>9,089,818</u>
<u>\$63,564</u>	<u>\$16,827</u>	<u>\$7,894,656</u>	<u>\$603,329</u>	<u>\$13,827,990</u>

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$3,711,609	\$0	\$13,429	\$0	\$3,725,038
Intergovernmental	2,946,701	202,407	41,102	124,458	3,314,668
Interest	100,569	0	0	0	100,569
Extracurricular Activities	50,000	112,850	0	0	162,850
Donations	3,085	0	0	0	3,085
Miscellaneous	40,898	0	0	0	40,898
Total Revenues	6,852,862	315,257	54,531	124,458	7,347,108
Expenditures					
Current:					
Instruction:					
Regular	3,477,396	4,676	0	0	3,482,072
Special	218,214	129,280	0	0	347,494
Adult/Continuing	195	0	0	0	195
Support Services:					
Pupils	179,583	11,946	0	0	191,529
Instructional Staff	167,835	11,936	0	0	179,771
Board of Education	12,926	0	0	0	12,926
Administration	803,747	7,509	0	0	811,256
Fiscal	205,240	0	674	0	205,914
Business	14,305	0	0	0	14,305
Operation and Maintenance of Plant	851,393	0	0	0	851,393
Pupil Transportation	369,798	0	0	0	369,798
Central	2,999	0	0	0	2,999
Extracurricular Activities	135,187	91,207	0	0	226,394
Capital Outlay	14,445	0	0	311,016	325,461
Debt Service:					
Principal Retirement	0	0	52,225	0	52,225
Interest and Fiscal Charges	0	0	7,551	0	7,551
Total Expenditures	6,453,263	256,554	60,450	311,016	7,081,283
Excess of Revenues Over (Under) Expenditures	399,599	58,703	(5,919)	(186,558)	265,825
Other Financing Sources					
Proceeds from Sale of Fixed Assets	2,602	0	0	0	2,602
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	402,201	58,703	(5,919)	(186,558)	268,427
Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)	638,628	(7,544)	10,469	269,179	910,732
Fund Balances End of Year	\$1,040,829	\$51,159	\$4,550	\$82,621	\$1,179,159

See accompanying notes to the general purpose financial statements

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 1999**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$3,707,152	\$3,707,152	\$0	\$0	\$0	\$0
Intergovernmental	2,809,987	2,946,701	136,714	264,068	202,167	(61,901)
Interest	57,202	100,569	43,367	0	0	0
Extracurricular Activities	28,439	50,000	21,561	115,303	115,303	0
Donations	1,754	3,085	1,331	0	0	0
Miscellaneous	40,694	41,182	488	0	0	0
Total Revenues	6,645,228	6,848,689	203,461	379,371	317,470	(61,901)
Expenditures						
Current:						
Instruction:						
Regular	3,196,591	3,084,917	111,674	2,914	4,571	(1,657)
Special	213,588	213,588	0	134,606	127,751	6,855
Adult/Continuing	193	193	0	0	0	0
Other	420,900	420,900	0	0	0	0
Support Services:						
Pupils	189,334	181,334	8,000	17,343	12,846	4,497
Instructional Staff	186,685	185,715	970	4,889	12,204	(7,315)
Board of Education	12,909	12,909	0	0	0	0
Administration	825,197	825,197	0	8,700	8,700	0
Fiscal	210,710	210,710	0	0	0	0
Business	13,566	13,566	0	0	0	0
Operation and Maintenance of Plant	889,687	889,687	0	0	0	0
Pupil Transportation	414,669	413,762	907	0	0	0
Central	2,999	2,999	0	22	0	22
Extracurricular Activities	135,333	135,333	0	123,048	123,047	1
Capital Outlay	226,322	347,095	(120,773)	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,938,683	6,937,905	778	291,522	289,119	2,403
Excess of Revenues Over (Under) Expenditures	(293,455)	(89,216)	204,239	87,849	28,351	(59,498)
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	2,602	2,602	0	0	0	0
Advances In	0	90,104	90,104	1,646	40,056	38,410
Advances Out	(40,056)	(40,056)	0	(2,635)	(50,458)	(47,823)
Total Other Financing Sources (Uses)	(37,454)	52,650	90,104	(989)	(10,402)	(9,413)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(330,909)	(36,566)	294,343	86,860	17,949	(68,911)
Fund Balances Beginning of Year	946,956	946,956	0	45,489	45,489	0
Prior Year Encumbrances Appropriated	142,762	142,762	0	18,841	18,841	0
Fund Balances End of Year	\$758,809	\$1,053,152	\$294,343	\$151,190	\$82,279	(\$68,911)

**Combined Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999**

	Debt Service Fund			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$43,429	\$43,429	\$0	\$0	\$0	\$0
Intergovernmental	41,102	41,102	0	107,463	124,458	16,995
Interest	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Donations	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	84,531	84,531	0	107,463	124,458	16,995
Expenditures						
Current:						
Instruction:						
Regular	0	0	0	45,609	30,418	15,191
Special	0	0	0	0	0	0
Adult/Continuing	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	0	0	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	2,000	2,000	0
Fiscal	660	674	(14)	0	0	0
Business	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportaton	0	0	0	0	0	0
Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	476,933	500,683	(23,750)
Debt Service:						
Principal Retirement	52,225	52,225	0	0	0	0
Interest and Fiscal Charges	7,551	7,551	0	0	0	0
Total Expenditures	60,436	60,450	(14)	524,542	533,101	(8,559)
Excess of Revenues Over (Under) Expenditure	24,095	24,081	(14)	(417,079)	(408,643)	8,436
Other Financing Sources (Uses)						
Proceeds from Sale of Fixed Assets	0	0	0	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	0	(39,646)	(39,646)	0	0	0
Total Other Financing Sources (Uses)	0	(39,646)	(39,646)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	24,095	(15,565)	(39,660)	(417,079)	(408,643)	8,436
Fund Balances Beginning of Year	20,115	20,115	0	76,509	76,509	0
Prior Year Encumbrances Appropriated	0	0	0	388,037	388,037	0
Fund Balances End of Year	\$44,210	\$4,550	(\$39,660)	\$47,467	\$55,903	\$8,436

See accompanying notes to the general purpose financial statements

(continued)

Totals (Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$3,750,581	\$3,750,581	\$0
3,222,620	3,314,428	91,808
57,202	100,569	43,367
143,742	165,303	21,561
1,754	3,085	1,331
40,694	41,182	488
<u>7,216,593</u>	<u>7,375,148</u>	<u>158,555</u>
3,245,114	3,119,906	125,208
348,194	341,339	6,855
193	193	0
420,900	420,900	0
206,677	194,180	12,497
191,574	197,919	(6,345)
12,909	12,909	0
835,897	835,897	0
211,370	211,384	(14)
13,566	13,566	0
889,687	889,687	0
414,669	413,762	907
3,021	2,999	22
258,381	258,380	1
703,255	847,778	(144,523)
52,225	52,225	0
7,551	7,551	0
<u>7,815,183</u>	<u>7,820,575</u>	<u>(5,392)</u>
<u>(598,590)</u>	<u>(445,427)</u>	<u>153,163</u>
2,602	2,602	0
1,646	130,160	128,514
(42,691)	(130,160)	(87,469)
<u>(38,443)</u>	<u>2,602</u>	<u>41,045</u>
(637,033)	(442,825)	194,208
1,089,069	1,089,069	0
549,640	549,640	0
<u>\$1,001,676</u>	<u>\$1,195,884</u>	<u>\$194,208</u>

**Combined Statement of Revenues,
Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>
Operating Revenues	
Sales	<u>\$174,788</u>
 Operating Expenses	
Salaries	132,626
Fringe Benefits	35,254
Purchased Services	6,701
Materials and Supplies	24,795
Cost of Sales	110,850
Depreciation	456
Other	<u>3,350</u>
 Total Operating Expenses	<u>314,032</u>
 Operating Loss	<u>(139,244)</u>
 Non-Operating Revenues	
Federal Donated Commodities	24,402
Interest	648
Operating Grants	<u>94,758</u>
 Total Non-Operating Revenues	<u>119,808</u>
 Net Loss	<u>(19,436)</u>
 Retained Earnings Beginning of Year	<u>32,719</u>
 Retained Earnings End of Year	13,283
 <i>Contributed Capital Beginning and End of Year</i>	<u>2,720</u>
 Total Fund Equity at End of Year	<u>\$16,003</u>

See accompanying notes to the general purpose financial statements

**Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999**

	Enterprise Funds		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Sales	\$210,362	\$175,620	(\$34,742)
Interest	1,000	648	(352)
Operating Grants	82,646	94,476	11,830
Total Revenues	<u>294,008</u>	<u>270,744</u>	<u>(23,264)</u>
Expenses			
Salaries	116,760	116,760	0
Fringe Benefits	44,633	44,633	0
Purchased Services	7,251	7,251	0
Materials and Supplies	114,984	114,984	0
Capital Outlay	10,547	10,547	0
Other	3,665	3,665	0
Total Expenses	<u>297,840</u>	<u>297,840</u>	<u>0</u>
Excess of Revenues Under Expenses	(3,832)	(27,096)	(23,264)
Fund Equity Beginning of Year	34,322	34,322	0
Prior Year Encumbrances Appropriated	7,625	7,625	0
Fund Equity End of Year	<u>\$38,115</u>	<u>\$14,851</u>	<u>(\$23,264)</u>

See accompanying notes to the general purpose financial statements

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 1999**

	Enterprise
Increase (Decreases) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Customers	\$175,620
Cash Payments to Suppliers for Goods and Services	(120,468)
Cash Payments for Employee Services and Benefits	(161,393)
Cash Payments for Other Expenses	(3,350)
	(109,591)
Net Cash Used for Operating Activities	(109,591)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	94,476
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(10,547)
Cash Flows from Investing Activities	
Interest on Investments	648
	(25,014)
Net Decrease in Cash and Cash Equivalents	(25,014)
Cash and Cash Equivalents Beginning of Year	41,947
	\$16,933
Cash and Cash Equivalents End of Year	\$16,933
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$139,244)
Adjustments	
Depreciation	456
Donated Commodities Used During Year	24,402
(Increases)/Decrease in Assets	
Accounts Receivable	832
Prepays	(2,195)
Inventory Held for Resale	2,156
Materials and Supplies Inventory	1,444
Increases/(Decrease) in Liabilities	
Accounts Payable	(6,553)
Accrued Wages and Benefits	1,309
Compensated Absences Payable	6,155
Intergovernmental Payable	1,647
	29,653
Total Adjustments	29,653
Net Cash Used for Operating Activities	(\$109,591)

See accompanying notes to the general purpose financial statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Weathersfield Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally elected five-member Board and provides educational services as mandated by State or federal agencies. This Board of Education controls the School District's three instructional/support facilities staffed by 29 classified employees, 64 certificated full-time teaching personnel and 8 administrators who provide services to 1,028 students and other community members.

Reporting Entity

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

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

The School District is associated with four jointly governed organizations and a public entity risk pool. These organizations include the North East Ohio Management Information Network, the North East Ohio Instructional Media Center, the North East Ohio Special Educational Resource Center, the Region 12 Professional Development Center and the Trumbull County Insurance Consortium. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

The School District reports deferred revenues on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

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

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The emergency building repair capital projects fund had expended more than their equity interest in the pooled bank account at June 30, 1999. The general fund made an advance to this fund to eliminate their negative cash balance. The general fund has an interfund receivable for the amount advanced while the fund with the negative cash balance has an *interfund payable for the same amount on the combined balance sheet*. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits.

During fiscal year 1999, investments were limited to repurchase agreements, which are nonparticipating investment contracts and are reported at cost.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$100,569, which includes \$14,832 assigned from other School District funds.

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

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Materials and supplies inventory has not been reported in the governmental funds since the balance is insignificant.

G. Restricted Assets

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

H. Fixed Assets and Depreciation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

- State Foundation Program
- School Bus Purchase Reimbursement
- State Property Tax Relief

Special Revenue Funds

- Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

- Education Management Information Systems
- Title I
- Title VI
- Title VI-B
- Teacher Development
- Eisenhower Grant
- Textbook Instructional Supplies
- Conflict Management

Capital Projects Funds

- School Net
- Technical Equity
- Emergency Building Repair

Reimbursable Grants

General Fund

- Driver Education
- Wellness Grant

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 45 percent of the School District's governmental funds operating revenue during the 1999 fiscal year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Interfund Transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School 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, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

P. Memorandum Only - Totals Columns

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

3. RESTATEMENT OF PRIOR YEAR BALANCES

Prior to 1999, the energy conservation note was reported in the general fund. Since this is a long-term note and was used to fund capital projects, for 1999 this loan is reported as a liability of the general long-term obligations account group. The effect of this change on the excess of revenues and other financing sources over expenditures and other financing uses as previously reported for the year ended June 30, 1998, is as follows:

	<u>General</u>
Excess as Previously Reported	\$592,368
Accrued Interest	1,969
Restated Excess	<u>594,337</u>
for the fiscal year ended June 30, 1998	<u>\$594,337</u>

These changes in reporting had the following effects on fund balance as it was previously reported as of June 30, 1998.

	<u>General</u>
Fund Balance as Previously Reported	\$488,327
Energy Conservation Loan Payable	145,223
Accrued Interest Payable	<u>5,078</u>
Restated Fund Balance	\$638,628
for the fiscal year ended June 30, 1998	<u>\$638,628</u>

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

3. RESTATEMENT OF PRIOR YEAR BALANCES (Continued)

The general long-term obligations account group liabilities increased from \$588,248 to \$721,808, due to the restatement of energy conservation loan payable.

4. ACCOUNTABILITY AND COMPLIANCE

A. Legal Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following account had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Support Services			
Instructional Staff			
Materials and Supplies	\$58,040	\$60,803	\$2,763
Capital Outlay			
Building Improvement			
Capital Outlay - New	211,877	332,650	120,773
Special Revenue Funds			
Block Grant			
Instruction			
Regular			
Purchased Services	710	3,291	2,581
Conflict Management			
Support Services			
Instructional Staff			
Purchased Services	0	2,750	2,750
Title VI-B			
Support Services			
Pupils			
Salaries	0	420	420
Fringe Benefits	0	63	63
Title I			
Instruction			
Special			
Purchased Services	0	29	29
Support Services			
Instructional Staff			
Salaries	0	4,450	4,450
Fringe Benefits	0	655	655
Title VI			
Support Services			
Instructional Staff			

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

Fund/Function	Appropriations	Expenditures Plus Encumbrances	Excess
Capital Outlay - New	\$259	\$4,349	\$4,090
<u>Debt Service Fund</u>			
Support Services			
Fiscal			
Other	660	674	14
<u>Capital Projects Funds</u>			
<u>Power Up</u>			
Capital Outlay			
Facilities Acquisition and Construction Services			
Site Improvement			
Purchased Services	0	29,118	29,118

Contrary to Section 5705.39, Ohio Revised Code, the following funds had appropriations in excess of estimated revenues plus carryover balances at June 30, 1999:

Fund	Estimated Revenues Plus Carryover Balances	Appropriations	Excess
Other Grants Special Revenue Fund	\$0	\$1,000	\$1,000
Emergency Building Repair Capital Projects Fund	416,937	476,933	59,996

B. Fund Deficits

The following funds had deficit fund balances at June 30, 1999:

	Deficit Fund Balance
<i>Special Revenue Funds:</i>	
Conflict Management	\$478
Title I	52,521
Emergency Building Repair Capital Projects Fund	54,628

The special revenue and capital projects fund deficits resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

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

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$402,201	\$58,703	(\$5,919)	(\$186,558)
Revenue Accruals	(4,173)	2,213	30,000	0
Advances In	90,104	40,056	0	0
Expenditure Accruals	125,802	(39)	0	(195,367)
Advances Out	(40,056)	(50,458)	(39,646)	0
Encumbrances	(610,444)	(32,526)	0	(26,718)
Budget Basis	<u>(\$36,566)</u>	<u>\$17,949</u>	<u>(\$15,565)</u>	<u>(\$408,643)</u>

**Net Loss/Excess of Revenues Under Expenses,
Proprietary Fund Type**

	Enterprise
GAAP Basis	(\$19,436)
Revenue Accruals	550
Expense Accruals	3,963
Capital Outlay	(10,547)
Depreciation Expense	456
Encumbrances	(2,082)
Budget Basis	<u>(\$27,096)</u>

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

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

6. DEPOSITS AND INVESTMENTS (Continued)

8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies:

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

Cash on Hand - At year end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet as part of "equity in pooled cash and cash equivalents."

Deposits - At fiscal year end, the carrying amount of the School District's deposits was (\$2,777) and the bank balance was \$40,214. The entire amount of the bank balance was covered by federal depository insurance.

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

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$1,902,193	\$1,902,193	\$1,902,193

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accountability."

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,899,466	\$0
Investments:		
Cash on Hand	(50)	0
Repurchase Agreement	(1,902,193)	1,902,193
GASB Statement No. 3	(\$2,777)	\$1,902,193

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

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes. 1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

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

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

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

	<u>1998 Second-Half Collections</u>		<u>1999 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$39,195,270	49.34%	\$44,811,850	50.70%
Public Utility	8,502,640	10.70	8,577,170	9.70
Tangible Personal Property	<u>31,741,329</u>	<u>39.96</u>	<u>34,991,508</u>	<u>39.60</u>
Total Assessed Value	<u>\$79,439,239</u>	<u>100.00%</u>	<u>\$88,380,528</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$50.70		\$49.25	

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

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

The School District receives property taxes from Trumbull and Mahoning Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The County Treasurer collects property taxes on behalf of all taxing districts in the county, including Weathersfield Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$4,457 to the general fund.

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

8. RECEIVABLES

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

	Amount
Title I special revenue fund	\$240
Food Service enterprise fund	21,811
	\$22,051

9. FIXED ASSETS

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

Furniture and Equipment	\$182,624
Less Accumulated Depreciation	(165,485)
Net Fixed Assets	\$17,139

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Land	\$88,334	\$0	\$0	\$88,334
Buildings	4,784,454	471,565	0	5,256,019
Furniture, Fixtures and Equipment	2,059,753	117,589	38,525	2,138,817
Vehicles	400,486	11,000	0	411,486
Totals	\$7,333,027	\$600,154	\$38,525	\$7,894,656

10. RISK MANAGEMENT

A. Property and Liability

The School 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 1999, the School 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:

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

10. RISK MANAGEMENT (Continued)

M. Canon Hunt Insurance provider for:

Building and Contents-replacement cost (\$500 deductible) \$22,111,348

Inland Marine Coverage (\$100 deductible)

Boiler Insurance (\$250 deductible)

Crime Insurance \$3,000

Nationwide - Jim Lewis Insurance provider for:

Automobile Liability (\$100 deductible) \$1,000,000

Uninsured Motorists (\$250 deductible) 1,000,000

General Liability

Per occurrence 1,000,000/1,000,000

Nationwide - Harcum-Hyre Insurance provider for:

Fleet Liability 1,000,000/5,000,000

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

B. Employee Medical Benefits

The School District has contracted with the Trumbull County School Employee Insurance Benefits Consortium to provide employee medical/surgical 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 School District pays medical/surgical premiums of \$510.13 for family coverage and \$196.11 for single coverage per employee per month. The School District pays ninety percent of premium after one year of employment, ninety-five percent after two years of employment and one hundred percent after three years of employment.

Dental and prescription drug insurance are also provided through the Trumbull County School Employee Insurance Benefits Consortium. Premiums for dental coverage are \$52.17 monthly for family coverage and \$14.72 for single coverage. Monthly premiums for prescription drug insurance are \$91.27 for family coverage and \$43.58 for single coverage. The plan utilizes a \$2 deductible for name brand and generic drugs.

For fiscal year 1999, the School District added vision insurance to the coverage provided through the Trumbull County School Employee Insurance Benefits Consortium. Monthly premiums for vision insurance are \$6.86 for family coverage and \$2.48 for single coverage.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

11. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$175,488, \$295,395, and \$315,375, respectively; 82.06 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$31,487 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$60,599, \$70,757, and \$79,500, respectively; 51.51 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$29,387 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, some members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

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

12. POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care 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 law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District this amount equaled \$233,984 for fiscal year 1999.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$49,581.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER 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. Sick leave which may be accumulated is unlimited for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 42 days for classified employees and 50 days for certified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Core Source. Administrators, the treasurer and certified employees are covered up to \$35,000, classified employees are covered up to \$30,000.

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

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds:				
High School Construction 1975 7.50%	\$18,000	\$0	\$18,000	\$0
Energy Conservation Loan 1993 4.75%	145,223	0	34,225	110,998
Compensated Absences	514,474	0	63,099	451,375
Intergovernmental Payable	44,111	40,956	44,111	40,956
Total General Long-Term Obligations	\$721,808	\$40,956	\$159,435	\$603,329

On July 1, 1975, the School District issued a bond for high school construction. The bond was issued for a twenty-eight year period with final maturity during fiscal year 1999. This bond is being retired from the debt service fund.

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

Compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions made outside the available period and will be paid from the fund from which the employee is paid.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$35,828	\$5,273	\$41,101
2001	37,530	3,572	41,102
2002	37,640	1,655	39,295
Total	\$110,998	\$10,500	\$121,498

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

15. Interfund Transactions

Interfund balances at June 30, 1999 consist of the following interfund receivables and payables:

<u>Fund Type/Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$95,548	\$0
Special Revenue Funds:		
Block Grant	0	2,510
Conflict Management	0	500
Title I	0	37,910
Total Special Revenue	0	40,920
Emergency Building Repair Capital Projects Fund	0	54,628
Total All Funds	<u>\$95,548</u>	<u>\$95,548</u>

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

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

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$151,328	\$23,460	\$174,788
Depreciation	456	0	456
Operating Income (Loss)	(144,010)	4,766	(139,244)
Donated Commodities	24,402	0	24,402
Operating Grants	94,758	0	94,758
Net Income (Loss)	(24,202)	4,766	(19,436)
Net Working Capital	(1,841)	15,262	13,421
Long-Term Compensated Absences	14,557	0	14,557
Total Assets	48,302	15,262	63,564
Total Equity	741	15,262	16,003
Encumbrances Outstanding	\$1,190	\$892	\$2,082

17. JOINTLY GOVERNED ORGANIZATIONS

North East 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 administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Weathersfield Local School District contributed \$12,744 to NEOMIN during fiscal year 1999.

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

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and treasurer (non-voting members who must be employed by a participating school district, the fiscal agent or NEOMIN). The Weathersfield Local School District was not represented on the Governing Board during fiscal year 1999. 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.

North East Ohio Instructional Media Center (NEOIMC) - NEOIMC is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing a quality films and/or other media to support the educational curricula of the District. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a 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 Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

North East 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 term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

Region 12 Professional Development Center (Center) - The Center is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

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

18. PUBLIC ENTITY RISK POOLS

Trumbull County Insurance Consortium - The School District participates in the Trumbull County Insurance Consortium, 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 elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

19. SCHOOL FOUNDATION FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school founding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$2,926,483 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is party to legal proceedings. The School District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

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

21. SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$33,107
Current Year Set-aside Requirement	108,694	108,694	0
Current Year Offsets	(16,570)	0	0
Qualifying Disbursements	(228,265)	(225,249)	0
Total	<u>(\$136,141)</u>	<u>(\$116,555)</u>	<u>\$33,107</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$33,107</u>

When calculating the base for the set-aside requirements for fiscal year 1999, there was not a 3 percent increase in base revenues; therefore no amounts are required to be set-aside for budget stabilization for fiscal year 1999. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

22. SUBSEQUENT EVENT

The School District passed a 5 year renewal of their emergency operating levy at the November 1999 ballot. Beginning with fiscal year 2000, the School District is expected to collect approximately \$418,000 annually.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 330-797-9900
800-443-9271

Facsimile 330-797-9949

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

Weathersfield Local School District
Trumbull County
3750 North Main Street
Mineral Ridge, Ohio 44440-7476

To the Board of Education:

We have audited the financial statements of Weathersfield Local School District, Trumbull County, as of and for the year ended June 30, 1999, and have issued our report thereon dated April 28, 2000. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

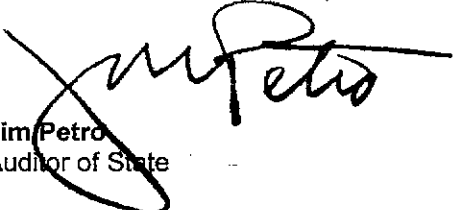
Compliance

As part of obtaining reasonable assurance about whether Weathersfield Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-11178-001.

Internal Control Over Financial Reporting

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

This report is intended for the information and use of the management, Board of Education, 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, appearing to read "Jim Petro", is written over a circular stamp or seal that is partially obscured.

Jim Petro
Auditor of State

April 28, 2000

SCHEDULE OF FINDINGS

JUNE 30, 1999

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

Finding Number	
1999-11178-001	<p>Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.</p> <p>The Emergency Building Repair Capital Projects Fund and Title I had negative fund balances at year-end, of \$54,628 and \$52,521 respectively, which implies monies from another fund were used to cover the expenses of this fund. We recommend the District take appropriate action through operating transfers, advances or cost cutting measures, to alleviate this situation in the future.</p>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

George V. Voinovich Government Center
242 Federal Plaza West, Suite 302
Youngstown, Ohio 44503

Telephone 216-797-9900
800-443-9271

Facsimile 216-797-9949

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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

MAY 18 2000