



**Auditor of State  
Betty Montgomery**



**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

TABLE OF CONTENTS

Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	19
Statement of Fiduciary Net Assets - Fiduciary Fund .....	20
Notes to the Basic Financial Statements .....	21
Schedule of Federal Awards Expenditures.....	48
Notes to the Schedule of Federal Awards Expenditures .....	49
Independent Accountants' Report on Compliance and on Internal Control over Financial Reporting and on Compliance and other Matters Required By <i>Government Auditing Standards</i> .....	50
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 .....	52
Schedule of Findings.....	54

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weathersfield Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Weathersfield Local School District, Trumbull County, Ohio, as of June 30, 2005, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 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.

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 8, 2006

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*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, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$1,023,849 which represents a 63.66% increase from 2004.
- General revenues accounted for \$7,408,492 in revenue or 77.40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,163,061 or 22.60% of total revenues of \$9,571,553.
- The District had \$8,547,704 in expenses related to governmental activities; \$2,163,061 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 \$7,408,492 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,065,412 in revenues and other financing sources and \$7,148,742 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$916,670 from a deficit of \$321,828 to a positive balance of \$594,842.

### **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 2005?" 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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 13-14 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 15-19 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 20. 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 21-47 of this report.



**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 5,709,785	\$ 4,437,295
Capital assets	<u>5,342,877</u>	<u>5,605,062</u>
Total assets	<u>11,052,662</u>	<u>10,042,357</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,425,576	4,138,214
Long-term liabilities	<u>3,995,017</u>	<u>4,295,923</u>
Total liabilities	<u>8,420,593</u>	<u>8,434,137</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,909,831	1,972,322
Restricted	274,294	306,324
Unrestricted (deficit)	<u>447,944</u>	<u>(670,426)</u>
Total net assets	<u>\$ 2,632,069</u>	<u>\$ 1,608,220</u>

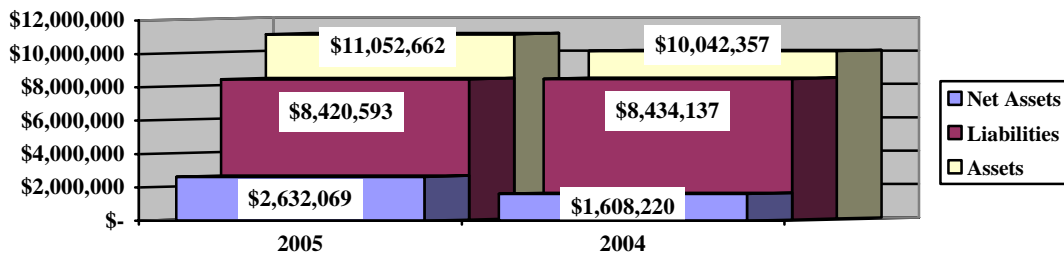
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$2,632,069. Of this total, \$274,294 is restricted in use.

At year-end, capital assets represented 48.34% 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, 2005, were \$1,909,831. 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

A portion of the District's net assets, \$274,294, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$447,944 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,295,128	\$ 1,264,987
Operating grants and contributions	783,413	641,820
Capital grants and contributions	84,520	73,373
General revenues:		
Property taxes	3,971,549	3,405,973
Grants and entitlements	3,388,674	3,408,903
Investment earnings	20,849	16,382
Other	27,420	182,030
<b>Total revenues</b>	<b><u>9,571,553</u></b>	<b><u>8,993,468</u></b>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

**Change in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,495,722	\$ 4,298,887
Special	943,923	892,171
Other	294,519	180,859
Support services:		
Pupil	327,407	387,279
Instructional staff	178,198	170,882
Board of education	10,597	6,218
Administration	674,830	705,692
Fiscal	288,803	342,253
Business	9,460	10,049
Operations and maintenance	1,067,557	1,060,963
Pupil transportation	379,100	407,426
Central	13,400	9,000
Food service operations	348,661	345,273
Operations of non-instructional services	-	4,058
Extracurricular activities	317,549	310,390
Interest and fiscal charges	<u>197,978</u>	<u>161,448</u>
 Total expenses	 <u>8,547,704</u>	 <u>9,292,848</u>
 Change in net assets	 1,023,849	 (299,380)
Net assets at beginning of year	<u>1,608,220</u>	<u>1,907,600</u>
Net assets at end of year	<u>\$ 2,632,069</u>	<u>\$ 1,608,220</u>

**Governmental Activities**

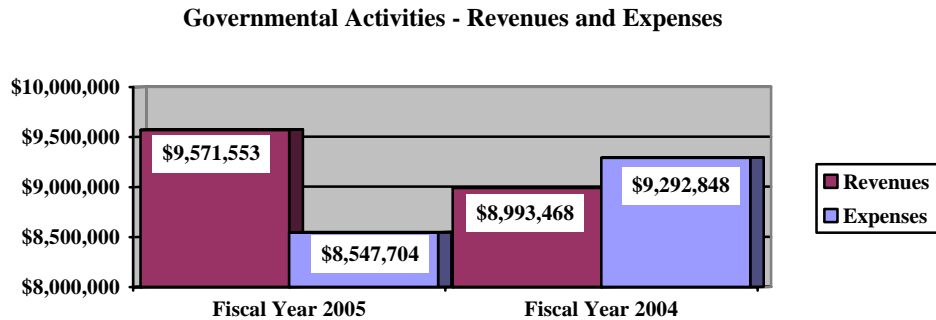
Net assets of the District's governmental activities increased \$1,023,849. Total governmental expenses of \$8,547,704 were offset by program revenues of \$2,163,061 and general revenues of \$7,408,492. Program revenues supported 25.31% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 76.90% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,734,164 or 55.39% of total governmental expenses for fiscal 2005.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.



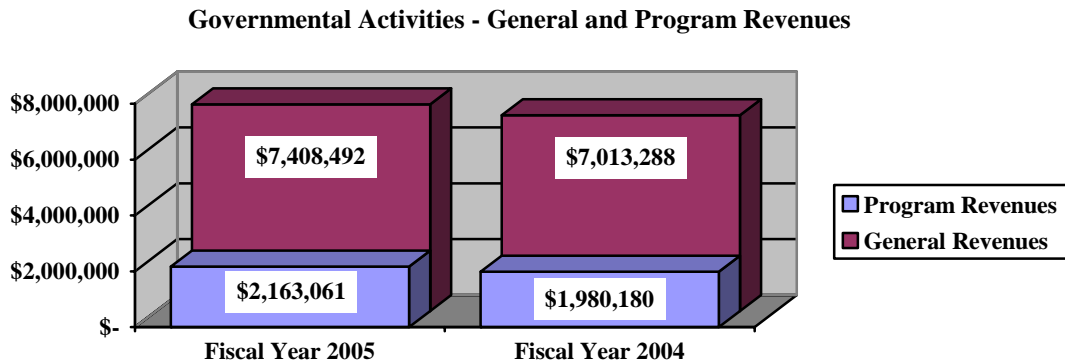
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,495,722	\$ 2,414,200	\$ 4,298,887	\$ 3,264,608
Special	943,923	494,222	892,171	525,698
Other	294,519	294,519	180,859	180,859
Support services:				
Pupil	327,407	317,310	387,279	377,869
Instructional staff	178,198	139,653	170,882	153,825
Board of education	10,597	10,597	6,218	4,184
Administration	674,830	658,305	705,692	686,392
Fiscal	288,803	288,803	342,253	342,253
Business	9,460	9,460	10,049	10,049
Operations and maintenance	1,067,557	991,857	1,060,963	987,590
Pupil transportation	379,100	358,664	407,426	407,426
Central	13,400	4,400	9,000	-
Food service operations	348,661	(1,301)	345,273	(1,282)
Operations of non-instructional services	-	-	4,058	4,058
Extracurricular activities	317,549	205,976	310,390	207,691
Interest and fiscal charges	197,978	197,978	161,448	161,448
<b>Total expenses</b>	<b>\$ 8,547,704</b>	<b>\$ 6,384,643</b>	<b>\$ 9,292,848</b>	<b>\$ 7,312,668</b>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

The dependence upon tax and other general revenues for governmental activities is apparent, 67.66% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.69%. 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 2005 and 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$944,418, which is higher than last year's deficit of \$21,160. The June 30, 2004 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, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance (Deficit) <u>June 30, 2004</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 594,842	\$ (321,828)	\$ 916,670	284.83 %
Other Governmental	<u>349,576</u>	<u>300,668</u>	<u>48,908</u>	<u>16.27 %</u>
Total	<u>\$ 944,418</u>	<u>\$ (21,160)</u>	<u>\$ 965,578</u>	<u>4,563.22 %</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

**General Fund**

The District's general fund balance increased \$916,670 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to decreasing expenditures and increased revenues. Revenues exceed expenditures for fiscal year 2005 by \$1,010,026.

	2005 <u>Amount</u>	2004 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,694,152	\$ 3,291,939	\$ 402,213	12.22 %
Tuition	963,452	931,590	31,862	3.42 %
Earnings on investments	20,690	15,978	4,712	29.49 %
Intergovernmental	3,374,442	3,394,415	(19,973)	(0.59) %
Other revenues	<u>11,676</u>	<u>161,921</u>	<u>(150,245)</u>	<u>(92.79) %</u>
Total	<u>\$ 8,064,412</u>	<u>\$ 7,795,843</u>	<u>\$ 268,569</u>	3.45 %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,997,839	\$ 4,720,261	\$ (722,422)	(15.30) %
Support services	2,801,085	2,910,135	(109,050)	(3.75) %
Non-instructional services	-	1,563	(1,563)	(100.00) %
Extracurricular activities	145,769	147,909	(2,140)	(1.45) %
Facilities acquisition and construction	1,675	-	1,675	100.00 %
Debt service	<u>108,018</u>	<u>198,954</u>	<u>(90,936)</u>	<u>(45.71) %</u>
Total	<u>\$ 7,054,386</u>	<u>\$ 7,978,822</u>	<u>\$ (924,436)</u>	<u>(11.59) %</u>

Other revenues decreased \$150,245 or 92.79% from the prior year. This decrease is attributed to a decrease in the amount of classroom materials and fees the District received in 2005. All other revenues and expenditures remained comparable to 2004.

**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 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,575,607 and final budgeted revenues and other financing sources were \$8,200,940. Actual revenues and other financing sources for fiscal 2005 was \$8,246,362. This represents a \$45,422 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,773,545 were increased to \$8,014,348 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$7,422,877, which was \$591,471 lower than the final budget appropriations.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2005, the District had \$5,342,877 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 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 60,088	\$ 60,088
Land improvements	445,983	472,949
Building and improvements	3,652,711	3,794,136
Furniture and equipment	1,005,895	1,063,685
Vehicles	178,200	214,204
Total	<u>\$ 5,342,877</u>	<u>\$ 5,605,062</u>

The overall decrease in capital assets of \$262,185 is due to depreciation expense of \$372,529 exceeding capital outlays of \$110,344 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, 2005, the District had \$1,688,096 in lease purchase agreements and \$1,745,000 in general obligation bonds outstanding. Of this total, \$199,158 is due within one year and \$3,323,938 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 2005	Governmental Activities 2004
	Lease purchase agreements	\$1,688,096
Notes payable	-	5,775
General obligation bonds	<u>1,745,000</u>	<u>1,835,000</u>
Total	<u>\$3,433,096</u>	<u>\$ 3,632,740</u>

At June 30, 2005, the District's overall legal debt margin was \$7,370,452, and an unvoted debt margin of \$98,981.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
*Unaudited*

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The residents of the Weathersfield Local School District passed a new 5.5 mill emergency levy in November, 2004. This levy is estimated to generate approximately \$535,168 per year. In addition, the District's other emergency levy, originally passed in 1996, and was renewed in May, 2005. This levy generates approximately \$428,182 per year.

Due to the passage of the new emergency levy and the renewal of the existing emergency levy, the District was released from Fiscal Caution status as of May 31, 2005.

In spite of the generosity of the residents, the District still faces serious financial challenges in its future. The District faces a potential one time 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, 2005, this request for refunds had been denied by the Department of Taxation and appealed to the Board of Tax Appeals.

HB 66 will have a drastic impact on the District's total property valuations. The District was ranked as 15<sup>th</sup> in the State of Ohio as far as dependence on tangible personal property taxes. Tangible personal property tax is being phased out over a period of four years. The state has instituted a hold-harmless that will reimburse the District over these four years at 100%. After the 100%, the tangible personal property will be reimbursed on a declining scale until the reimbursement is zero.

**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, 2005

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,734,434
Receivables:	
Taxes . . . . .	3,871,605
Accounts . . . . .	670
Intergovernmental . . . . .	69,459
Accrued interest . . . . .	765
Prepayments . . . . .	26,078
Materials and supplies inventory . . . . .	6,774
Capital assets:	
Land . . . . .	60,088
Depreciable capital assets, net . . . . .	5,282,789
Capital assets, net. . . . .	<u>5,342,877</u>
 Total assets. . . . .	 <u>11,052,662</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	9,822
Accrued wages and benefits . . . . .	587,182
Pension obligation payable. . . . .	156,753
Intergovernmental payable . . . . .	57,802
Deferred revenue . . . . .	3,564,943
Accrued interest payable . . . . .	49,074
Long-term liabilities:	
Due within one year. . . . .	298,012
Due within more than one year . . . . .	3,697,005
 Total liabilities . . . . .	 <u>8,420,593</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,909,831
Restricted for:	
Capital projects . . . . .	30,765
Debt service. . . . .	170,057
Locally funded programs . . . . .	2,187
State funded programs. . . . .	7,117
Federally funded programs. . . . .	5,894
Student activities. . . . .	58,274
Unrestricted . . . . .	<u>447,944</u>
 Total net assets . . . . .	 <u>\$ 2,632,069</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, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,495,722	\$ 995,702	\$ 77,000	\$ 8,820	\$ (2,414,200)
Special . . . . .	943,923	-	449,701	-	(494,222)
Other . . . . .	294,519	-	-	-	(294,519)
Support services:					
Pupil . . . . .	327,407	3,656	6,441	-	(317,310)
Instructional staff . . . . .	178,198	-	38,545	-	(139,653)
Board of education . . . . .	10,597	-	-	-	(10,597)
Administration . . . . .	674,830	7,474	9,051	-	(658,305)
Fiscal . . . . .	288,803	-	-	-	(288,803)
Business . . . . .	9,460	-	-	-	(9,460)
Operations and maintenance . . . . .	1,067,557	-	-	75,700	(991,857)
Pupil transportation . . . . .	379,100	-	20,436	-	(358,664)
Central . . . . .	13,400	-	9,000	-	(4,400)
Operation of non-instructional services:					
Food service operations . . . . .	348,661	176,723	173,239	-	1,301
Extracurricular activities . . . . .	317,549	111,573	-	-	(205,976)
Interest and fiscal charges . . . . .	197,978	-	-	-	(197,978)
<b>Total governmental activities . . . . .</b>	<b>\$ 8,547,704</b>	<b>\$ 1,295,128</b>	<b>\$ 783,413</b>	<b>\$ 84,520</b>	<b>(6,384,643)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	3,808,921
Debt service . . . . .	162,628
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	20,849
Miscellaneous . . . . .	27,420
<b>Total general revenues . . . . .</b>	<b>7,408,492</b>
Change in net assets . . . . .	1,023,849
<b>Net assets at beginning of year . . . . .</b>	<b>1,608,220</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 2,632,069</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 1,369,411	\$ 365,023	\$ 1,734,434
Receivables:			
Taxes . . . . .	3,716,900	154,705	3,871,605
Accounts . . . . .	568	102	670
Intergovernmental . . . . .	-	69,459	69,459
Accrued interest . . . . .	765	-	765
Prepayments . . . . .	26,078	-	26,078
Materials and supplies inventory . . . . .	-	6,774	6,774
Total assets . . . . .	<u>\$ 5,113,722</u>	<u>\$ 596,063</u>	<u>\$ 5,709,785</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 3,498	\$ 6,324	\$ 9,822
Accrued wages and benefits . . . . .	530,597	56,585	587,182
Compensated absences payable . . . . .	81,436	4,623	86,059
Pension obligation payable. . . . .	141,623	15,130	156,753
Intergovernmental payable. . . . .	52,483	5,319	57,802
Deferred revenue. . . . .	3,709,243	158,506	3,867,749
Total liabilities . . . . .	<u>4,518,880</u>	<u>246,487</u>	<u>4,765,367</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	40,304	24,186	64,490
Reserved for materials and supplies inventory. . . . .	-	6,774	6,774
Reserved for prepayments . . . . .	26,078	-	26,078
Reserved for property tax unavailable for appropriation . . . . .	7,657	319	7,976
Reserved for debt service. . . . .	-	206,875	206,875
Unreserved, undesignated, reported in:			
General fund . . . . .	520,803	-	520,803
Special revenue funds. . . . .	-	80,657	80,657
Capital projects funds. . . . .	-	30,765	30,765
Total fund balances . . . . .	<u>594,842</u>	<u>349,576</u>	<u>944,418</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,113,722</u>	<u>\$ 596,063</u>	<u>\$ 5,709,785</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, 2005

<b>Total governmental fund balances</b>		\$	944,418
<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.			5,342,877
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	298,686	
Intergovernmental revenue		4,120	
Total			302,806
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(49,074)
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		475,862	
Lease-purchase agreements payable		1,688,096	
General obligation bonds payable		1,745,000	
Total			(3,908,958)
<b>Net assets of governmental activities</b>		\$	2,632,069

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, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 3,694,152	\$ 158,919	\$ 3,853,071
Tuition. . . . .	963,452	-	963,452
Charges for services. . . . .	-	176,723	176,723
Earnings on investments. . . . .	20,690	159	20,849
Extracurricular. . . . .	-	122,703	122,703
Classroom materials and fees. . . . .	-	32,250	32,250
Other local revenues. . . . .	11,676	90,444	102,120
Intergovernmental - Intermediate . . . . .	-	3,000	3,000
Intergovernmental - State. . . . .	3,374,442	120,644	3,495,086
Intergovernmental - Federal . . . . .	-	678,701	678,701
Total revenue . . . . .	<u>8,064,412</u>	<u>1,383,543</u>	<u>9,447,955</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	3,227,412	110,402	3,337,814
Special. . . . .	475,908	446,006	921,914
Other. . . . .	294,519	-	294,519
Support services:			
Pupil. . . . .	317,834	12,063	329,897
Instructional staff . . . . .	153,932	44,626	198,558
Board of education . . . . .	10,597	-	10,597
Administration. . . . .	624,588	45,601	670,189
Fiscal . . . . .	287,928	3,749	291,677
Business . . . . .	9,460	-	9,460
Operations and maintenance. . . . .	1,062,877	167	1,063,044
Pupil transportation . . . . .	329,469	20,536	350,005
Central. . . . .	4,400	9,000	13,400
Operation of non-instructional services:			
Food service operations . . . . .	-	383,922	383,922
Extracurricular activities. . . . .	145,769	105,169	250,938
Facilities acquisition and construction . . . . .	1,675	1,378	3,053
Debt service:			
Principal retirement . . . . .	58,775	140,869	199,644
Interest and fiscal charges . . . . .	49,243	105,503	154,746
Total expenditures . . . . .	<u>7,054,386</u>	<u>1,428,991</u>	<u>8,483,377</u>
Excess of revenues over (under) expenditures . . . . .	<u>1,010,026</u>	<u>(45,448)</u>	<u>964,578</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	94,356	94,356
Transfers (out). . . . .	(94,356)	-	(94,356)
Sale of capital assets. . . . .	1,000	-	1,000
Total other financing sources (uses) . . . . .	<u>(93,356)</u>	<u>94,356</u>	<u>1,000</u>
Net change in fund balances . . . . .	916,670	48,908	965,578
<b>Fund balances (deficit) at beginning of year (restated) . . . . .</b>	<u>(321,828)</u>	<u>300,668</u>	<u>(21,160)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 594,842</u>	<u>\$ 349,576</u>	<u>\$ 944,418</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, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	965,578
 <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.		
Capital outlay	\$ 110,344	
Depreciation expense	(372,529)	
Total		(262,185)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	118,478	
Intergovernmental	4,120	
Total		122,598
 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.		
		199,644
 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.		
		(43,232)
 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.		
		41,446
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>1,023,849</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, 2005

	<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 . . . . .	\$ 3,402,736	\$ 3,683,617	\$ 3,704,019	\$ 20,402
Tuition. . . . .	887,555	960,819	966,141	5,322
Earnings on investments. . . . .	18,840	20,395	20,508	113
Other local revenues . . . . .	10,342	11,196	11,258	62
Intergovernmental - State . . . . .	<u>3,099,967</u>	<u>3,355,855</u>	<u>3,374,442</u>	<u>18,587</u>
Total revenue . . . . .	<u>7,419,440</u>	<u>8,031,882</u>	<u>8,076,368</u>	<u>44,486</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,589,603	3,700,799	3,427,673	273,126
Special. . . . .	498,617	514,063	476,124	37,939
Other. . . . .	310,579	320,200	296,569	23,631
Support services:				
Pupil. . . . .	340,008	350,540	324,670	25,870
Instructional staff . . . . .	161,350	166,348	154,071	12,277
Board of education . . . . .	11,044	11,386	10,546	840
Administration. . . . .	684,781	705,994	653,891	52,103
Fiscal . . . . .	285,357	294,197	272,485	21,712
Business . . . . .	9,907	10,214	9,460	754
Operations and maintenance. . . . .	1,170,703	1,206,968	1,117,892	89,076
Pupil transportation . . . . .	345,606	356,312	330,016	26,296
Central. . . . .	4,608	4,751	4,400	351
Extracurricular activities. . . . .	153,742	158,504	146,806	11,698
Facilities acquisition and construction. . . . .	<u>108,827</u>	<u>112,198</u>	<u>103,918</u>	<u>8,280</u>
Total expenditures . . . . .	<u>7,674,732</u>	<u>7,912,474</u>	<u>7,328,521</u>	<u>583,953</u>
Excess of revenues over (under) expenditures. . . . .	<u>(255,292)</u>	<u>119,408</u>	<u>747,847</u>	<u>628,439</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	116,665	126,295	126,994	699
Transfers (out) . . . . .	(98,813)	(101,874)	(94,356)	7,518
Advances in. . . . .	38,584	41,769	42,000	231
Sale of capital assets. . . . .	918	994	1,000	6
Total other financing sources (uses) . . . . .	<u>57,354</u>	<u>67,184</u>	<u>75,638</u>	<u>8,454</u>
Net change in fund balance . . . . .	(197,938)	186,592	823,485	636,893
<b>Fund balance at beginning of year. . . . .</b>	471,577	471,577	471,577	-
<b>Prior year encumbrances appropriated . . . . .</b>	29,840	29,840	29,840	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 303,479</u>	<u>\$ 688,009</u>	<u>\$ 1,324,902</u>	<u>\$ 636,893</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, 2005

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 14,450
Total assets. . . . .	\$ 14,450
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,588
Due to students . . . . .	12,862
Total liabilities . . . . .	\$ 14,450

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 488th largest by total enrollment among the 614 public school districts in the State of Ohio. The District is staffed by 34 non-certificated and 74 certificated personnel to provide services to approximately 1,017 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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, 2005

**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, 1200 DeBartolo Palace, 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, 2005

**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 proprietary 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, 2005

**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, 2005

**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, 2005, but which were levied to finance fiscal year 2006 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 2005 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, 2005

**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 original and final Amended Certificate issued for fiscal year 2005.
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, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and 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 2005, investments were limited to repurchase agreements.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 2005 amounted to \$20,690, which includes \$5,738 assigned from other funds.

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 District'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>	<u>Governmental Activities 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**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 2005, 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**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 and debt service. 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.

**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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**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 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ (261,692)	\$ 306,175	\$ 44,483
GASB Technical Bulletin No. 2004-2	<u>(60,136)</u>	<u>(5,507)</u>	<u>(65,643)</u>
Restated Fund Balance, June 30, 2004	<u>\$ (321,828)</u>	<u>\$ 300,668</u>	<u>\$ (21,160)</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service Operations	\$ 11,713
Management Information Systems	280
DPIA	9,905
Title VI-B	406
Improving Teacher Quality	372

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 - DEPOSITS AND INVESTMENTS**

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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 moneys 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (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 and 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 two percent 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At 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."

**B. Deposits with Financial Institutions**

At June 20, 2005, the carrying amount of all District deposits was \$20,229, exclusive of the \$1,728,555 repurchase agreement included in investments below. Based on the criteria

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, the entire amount of the District's bank balance of \$51,560 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	<u>\$ 1,728,555</u>	<u>\$ 1,728,555</u>
	<u>\$ 1,728,555</u>	<u>\$ 1,728,555</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment company's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	<u>\$ 1,728,555</u>	<u>100.00%</u>
	<u>\$ 1,728,555</u>	<u>100.00%</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 20,229
Investments	1,728,555
Cash on hand	<u>100</u>
Total	<u>\$ 1,748,884</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,734,434
Agency funds	<u>14,450</u>
Total	<u>\$ 1,748,884</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 94,356

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005 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 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, 2005 was \$7,657 in the general fund and \$319 in the debt service fund. This amount has been recorded as 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.

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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and public utility/minerals real estate	\$ 52,358,580	53.51	\$ 53,843,460	54.40
Commercial/industrial real estate	12,665,650	12.94	12,892,300	13.03
Public utility personal	5,743,810	5.87	5,761,340	5.82
Tangible personal property	<u>27,080,703</u>	<u>27.68</u>	<u>26,483,547</u>	<u>26.75</u>
 Total	 <u>\$ 97,848,743</u>	 <u>100.00</u>	 <u>\$ 98,980,647</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation				
General	\$ 49.30		\$ 54.30	
Debt service	1.70		1.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 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	\$ 3,871,605
Accounts	670
Accrued interest	765
Intergovernmental	<u>69,459</u>
 Total	 <u>\$ 3,942,499</u>

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**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
<i>Governmental Activities</i>				
<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	9,210	-	7,126,372
Furniture and equipment	3,089,486	101,134	-	3,190,620
Vehicles	541,173	-	-	541,173
Total capital assets, being depreciated	<u>11,640,111</u>	<u>110,344</u>	<u>-</u>	<u>11,750,455</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(419,341)	(26,966)	-	(446,307)
Buildings and improvements	(3,323,026)	(150,635)	-	(3,473,661)
Furniture and equipment	(2,025,801)	(158,924)	-	(2,184,725)
Vehicles	(326,969)	(36,004)	-	(362,973)
Total accumulated depreciation	<u>(6,095,137)</u>	<u>(372,529)</u>	<u>-</u>	<u>(6,467,666)</u>
Governmental activities capital assets, net	<u>\$ 5,605,062</u>	<u>\$ (262,185)</u>	<u>\$ -</u>	<u>\$ 5,342,877</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 235,732
Special	7,938
<u>Support Services:</u>	
Pupil	1,850
Instructional staff	6,535
Administration	5,233
Fiscal	1,317
Operations and maintenance	9,125
Pupil transportation	32,863
Extracurricular activities	68,173
Food service operations	3,763
Total depreciation expense	<u>\$ 372,529</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 2005, the District made \$50,869 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, 2005.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 86,268
2007	86,268
2008	86,268
2009	86,268
2010	86,268
2011 - 2015	431,340
2016	<u>86,266</u>
Total minimum lease payments	948,946
Less amount representing interest	<u>(213,174)</u>
Total	<u>\$ 735,772</u>

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

- B. On March 1, 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the 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 \$53,000 in principal payments during fiscal year 2005. Principal and interest payments will be recorded as debt service expenditures in the general fund.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

As of June 30, 2005, 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, 2005.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 102,565
2007	102,740
2008	101,793
2009	101,723
2010	101,505
2011 - 2015	507,241
2016 - 2018	<u>277,307</u>
Total minimum lease payments	1,294,874
Less amount representing interest	<u>(342,550)</u>
Total	<u>\$ 952,324</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2002, the District issued \$2,000,000 in general obligation bonds to provide funds for renovations and improvements to Seaburn Elementary. These bonds bear an annual interest rate of 2.10% and mature on December 1, 2021. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the government-wide financial statements. During fiscal year 2005 the District made \$90,000 in principal payments on the bonds. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	105,000	54,635	159,635
2011 - 2015	325,000	465,494	790,494
2016 - 2020	635,000	149,743	784,743
2020 - 2022	<u>300,000</u>	<u>14,487</u>	<u>314,487</u>
Total	<u>\$ 1,745,000</u>	<u>\$ 936,791</u>	<u>\$ 2,681,791</u>

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

- B.** In February 2002, the District purchased a Ford dump truck for \$29,700. Financing was obtained through the Ford Motor Credit Company at zero percent interest. The source of revenue to fund the principal payments is general operating revenues of the District. During fiscal 2005, the District made \$5,775 in principal payments. Principal payments will be recorded as an expenditure in the general fund.
- C.** During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance		Balance		Amounts
	<u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/05</u>	<u>Due in One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 663,183	\$ 70,296	\$ (171,558)	\$ 561,921	\$ 98,854
Lease-purchase agreements payable	1,791,965	-	(103,869)	1,688,096	109,158
Notes payable	5,775	-	(5,775)	-	-
General obligation bonds payable	<u>1,835,000</u>	<u>-</u>	<u>(90,000)</u>	<u>1,745,000</u>	<u>90,000</u>
 Total long-term obligations, governmental activities	 <u>\$ 4,295,923</u>	 <u>\$ 70,296</u>	 <u>\$ (371,202)</u>	 <u>\$ 3,995,017</u>	 <u>\$ 298,012</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, 2005 are a voted debt margin of \$7,370,452 (including available funds of \$207,194) and an unvoted debt margin of \$98,981.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. 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 2005, 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, 2005

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

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

The District has contracted with the Trumbull County Schools 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 PLAN**

**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 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 43215-3746, 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, 2005

**NOTE 13 - DEFINED BENEFIT PENSION PLAN - (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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$131,963, \$140,203 and \$141,929, respectively; 51.83% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$63,564 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 13 - DEFINED BENEFIT PENSION PLAN - (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 2005 and 2004, 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 for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$508,333, \$552,395, and \$547,020, respectively; 84.89% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$76,791 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$492 made by the District and \$1,227 made by plan members.

**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 Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% 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 fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$36,310 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), 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



**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. 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 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) 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 \$47,478 during the 2005 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).

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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:

	<u>General Fund</u>
Budget basis	\$ 823,485
Net adjustment for revenue accruals	(11,956)
Net adjustment for expenditure accruals	229,626
Net adjustment for other sources/uses	(168,994)
Adjustment for encumbrances	44,509
GAAP basis	\$ 916,670

**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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT**  
**TRUMBULL COUNTY, OHIO**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (483,732)	\$ (2,000,000)
Current year set-aside requirement	153,672	153,672
Qualifying disbursements	<u>(56,280)</u>	<u>(263,127)</u>
Total	<u>\$ (386,340)</u>	<u>\$ (2,109,455)</u>
Cash balance carried forward to FY 2006	<u>\$ (386,340)</u>	<u>\$ (2,000,000)</u>

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	23,299	-	23,299
School Breakfast Program	05-PU 04 05-PU 05	10.553	1,787 8,321	-	1,787 8,321	-
<b>Subtotal -- School Breakfast Program</b>			<b>10,108</b>	<b>-</b>	<b>10,108</b>	<b>-</b>
National School Lunch Program	LL-P4-2004 LL-P4-2005	10.555	25,581 85,180	-	25,581 85,180	-
<b>Subtotal -- School National School Lunch Program</b>			<b>110,761</b>	<b>-</b>	<b>110,761</b>	<b>-</b>
<b>Total U.S. Department of Agriculture -- Nutrition Cluster</b>			<b>120,869</b>	<b>23,299</b>	<b>120,869</b>	<b>23,299</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 04 C1-S1 05	84.010	48,989 188,763		27,471 181,758	
<b>Total -- Title I School Subsidy</b>			<b>237,752</b>		<b>209,229</b>	
<i>Special Education Grants Cluster:</i>						
Title VI - B Special Education Grants to States	6B-SF-2004 6B-SF-2005	84.027	8,935 192,011		423 192,011	
<b>Safe and Drug Free Schools Grant</b>	DR-S1-2003	84.186	<b>6,441</b>		<b>6,441</b>	
<b>Innovative Education Program Strategies Title V</b>	C2-S1-2003	84.298	<b>4,313</b>		<b>4,263</b>	
<b>Technology Literacy Challenge Fund Grants Title II - D</b>	TJ-S1-2004 TJ-S1-2005	84.318	(302) 6,390		- 4,943	
<b>Improving Teacher Quality State Grants Title II - A</b>	TR-S1-2005	84.367	<b>49,082</b>		<b>49,082</b>	
<b>Total -- U.S. Department of Education</b>			<b>504,622</b>		<b>466,392</b>	
<b><u>U.S. Office of Library Services</u></b>						
<i>Passed Through The Ohio Library Board:</i>						
Library Services and Technology Act	-	45.310	<b>23,697</b>		<b>23,697</b>	
<b>Totals</b>			<b>649,188</b>	<b>23,299</b>	<b>610,958</b>	<b>23,299</b>

*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, 2005**

**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, 2005, 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 ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 Weathersfield Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2006 wherein we noted the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers". 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 8, 2006, we reported a matter related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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 8, 2006





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the 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 *Government 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Weathersfield Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005

#### **Internal Control Over Compliance**

The District's management 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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 8, 2006

**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY  
JUNE 30, 2005**

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

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

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

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

Finding Number	None
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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
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**Auditor of State  
Betty Montgomery**

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**WEATHERSFIELD LOCAL SCHOOL DISTRICT  
TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 4, 2006**