



Dave Yost • Auditor of State

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Weathersfield Local School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2011, 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.

As further described in Note 3 to the basic financial statements, the District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing Governmental Accounting Standards Board (GASB) Statement 54.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Weathersfield Local School District, Trumbull County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

October 17, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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, 2011. 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 fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$561,644 which represents an 18.64% increase from 2010.
- General revenues accounted for \$6,628,703 in revenue or 65.36% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,513,745 or 34.64% of total revenues of \$10,142,448.
- The District had \$9,580,804 in expenses related to governmental activities; \$3,513,745 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,628,703 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$8,374,791 in revenues and \$8,141,041 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$233,750 from a restated balance of \$738,154 to a fund balance of \$971,904.

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 fiscal year 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

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* that 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 statement 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 21-50 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 at June 30, 2011 and June 30, 2010.

| | Net Assets | |
|--|--|--|
| | Governmental Activities <u>June 30, 2011</u> | Governmental Activities <u>June 30, 2010</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 5,831,911 | \$ 5,374,823 |
| Capital assets, net | <u>3,922,705</u> | <u>4,177,800</u> |
| Total assets | <u>9,754,616</u> | <u>9,552,623</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 3,597,728 | 3,626,247 |
| Long-term liabilities | <u>2,582,915</u> | <u>2,914,047</u> |
| Total liabilities | <u>6,180,643</u> | <u>6,540,294</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 1,900,230 | 1,890,257 |
| Restricted | 752,146 | 504,608 |
| Unrestricted | <u>921,597</u> | <u>617,464</u> |
| Total net assets | <u>\$ 3,573,973</u> | <u>\$ 3,012,329</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$3,573,973. Of this total, \$752,146 is restricted in use.

At year-end, capital assets represented 40.21% 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, 2011, were \$1,900,230. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

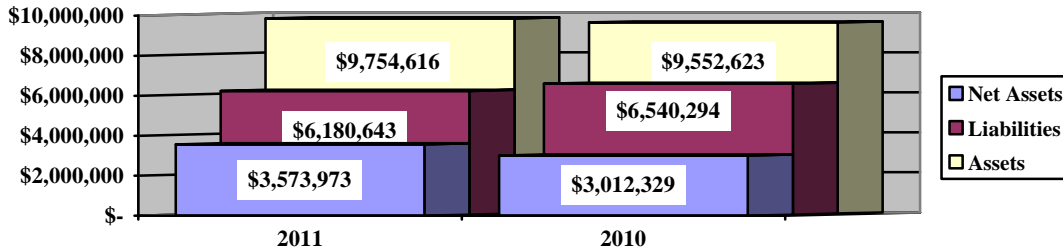
A portion of the District's net assets, \$752,146, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$921,597 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The graph below presents the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

| | Governmental Activities 2011 | Governmental Activities 2010 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,830,311 | \$ 1,735,448 |
| Operating grants and contributions | 1,620,604 | 1,075,377 |
| Capital grants and contributions | 62,830 | 38,544 |
| General revenues: | | |
| Property taxes | 2,383,539 | 2,520,861 |
| Grants and entitlements | 4,192,065 | 4,467,885 |
| Investment earnings | 15,315 | 29,615 |
| Other | 37,784 | 946 |
| Total revenues | 10,142,448 | 9,868,676 |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

Change in Net Assets

| | Governmental Activities <u>2011</u> | Governmental Activities <u>2010</u> |
|--|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 3,883,475 | \$ 4,158,629 |
| Special | 1,124,494 | 1,207,030 |
| Vocational | - | 116 |
| Other | 528,727 | 455,569 |
| Support services: | | |
| Pupil | 392,125 | 446,489 |
| Instructional staff | 138,636 | 230,925 |
| Board of education | 21,578 | 19,664 |
| Administration | 779,286 | 767,934 |
| Fiscal | 291,871 | 276,772 |
| Business | 9,144 | 11,459 |
| Operations and maintenance | 1,148,360 | 1,290,990 |
| Pupil transportation | 411,216 | 357,675 |
| Central | 6,825 | 6,859 |
| Operation of non-instructional services: | | |
| Food service operations | 326,275 | 320,405 |
| Other non-instructional services | - | 7,615 |
| Extracurricular activities | 421,963 | 427,446 |
| Interest and fiscal charges | <u>96,829</u> | <u>124,964</u> |
| Total expenses | <u>9,580,804</u> | <u>10,110,541</u> |
| Change in net assets | 561,644 | (241,865) |
| Net assets at beginning of year | <u>3,012,329</u> | <u>3,254,194</u> |
| Net assets at end of year | <u>\$ 3,573,973</u> | <u>\$ 3,012,329</u> |

Governmental Activities

Net assets of the District's governmental activities increased \$561,644. Total governmental expenses of \$9,580,804 were offset by program revenues of \$3,513,745 and general revenues of \$6,628,703. Program revenues supported 36.67% 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 64.83% of total governmental revenue.

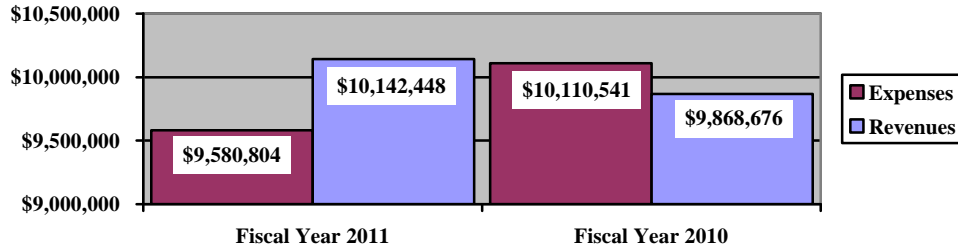
The largest expense of the District is for instructional programs. Instruction expenditures totaled \$5,536,696 or 57.79% of total governmental expenses for fiscal year 2011.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

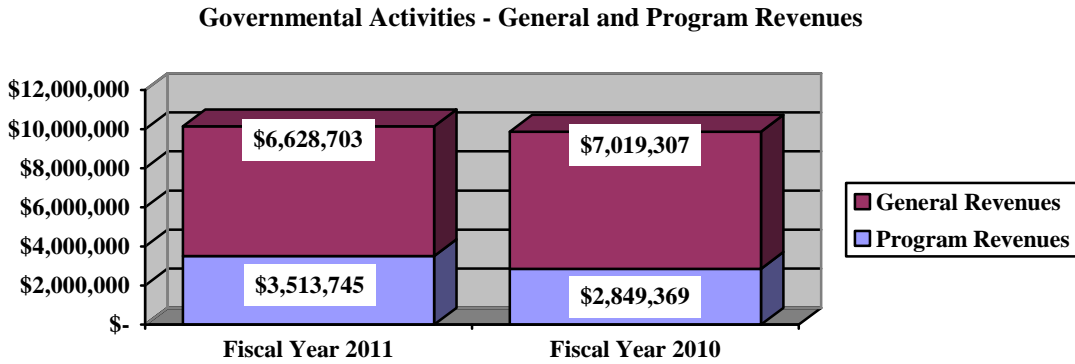
| | Total Cost of Services 2011 | Net Cost of Services 2011 | Total Cost of Services 2010 | Net Cost of Services 2010 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 3,883,475 | \$ 2,057,223 | \$ 4,158,629 | \$ 2,552,142 |
| Special | 1,124,494 | 74,846 | 1,207,030 | 675,213 |
| Vocational | - | - | 116 | (3,959) |
| Other | 528,727 | 515,926 | 455,569 | 448,183 |
| Support services: | | | | |
| Pupil | 392,125 | 392,125 | 446,489 | 437,146 |
| Instructional staff | 138,636 | 121,066 | 230,925 | 205,264 |
| Board of education | 21,578 | 21,578 | 19,664 | 19,664 |
| Administration | 779,286 | 761,990 | 767,934 | 741,031 |
| Fiscal | 291,871 | 290,922 | 276,772 | 276,772 |
| Business | 9,144 | 9,144 | 11,459 | 11,459 |
| Operations and maintenance | 1,148,360 | 1,071,989 | 1,290,990 | 1,252,446 |
| Pupil transportation | 411,216 | 373,830 | 357,675 | 288,924 |
| Central | 6,825 | - | 6,859 | - |
| Operations of non-instructional services: | | | | |
| Food service operations | 326,275 | (48,817) | 320,405 | (65,133) |
| Other non-instructional services | - | - | 7,615 | 7,615 |
| Extracurricular activities | 421,963 | 328,408 | 427,446 | 289,441 |
| Interest and fiscal charges | 96,829 | 96,829 | 124,964 | 124,964 |
| Total expenses | <u>\$ 9,580,804</u> | <u>\$ 6,067,059</u> | <u>\$ 10,110,541</u> | <u>\$ 7,261,172</u> |

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The dependence upon tax and other general revenues for governmental activities is apparent, 47.83% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 63.33%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,465,046, which is higher than last year's restated balance of \$1,177,434. The District restated fund balances as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

| | Fund Balance June 30, 2011 | Restated Fund Balance June 30, 2010 | Increase | Percentage Change |
|--------------------|-------------------------------|---|-------------------|----------------------|
| General | \$ 971,904 | \$ 738,154 | \$ 233,750 | 31.67 % |
| Other Governmental | 493,142 | 439,280 | 53,862 | 12.26 % |
| Total | <u>\$ 1,465,046</u> | <u>\$ 1,177,434</u> | <u>\$ 287,612</u> | 24.43 % |

General Fund

The District's general fund balance increased \$233,750.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | 2011 <u>Amount</u> | Restated 2011 <u>Amount</u> | Increase/ <u>(Decrease)</u> | Percentage <u>Change</u> |
|----------------------------------|-----------------------|-----------------------------------|--------------------------------|-----------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 2,301,853 | \$ 2,319,746 | \$ (17,893) | (0.77) % |
| Tuition | 1,566,044 | 1,400,718 | 165,326 | 11.80 % |
| Earnings on investments | 15,315 | 29,615 | (14,300) | (48.29) % |
| Intergovernmental - state | 4,428,076 | 4,436,757 | (8,681) | (0.20) % |
| Other revenues | <u>63,503</u> | <u>65,019</u> | <u>(1,516)</u> | (2.33) % |
| Total | <u>\$ 8,374,791</u> | <u>\$ 8,251,855</u> | <u>\$ 122,936</u> | 1.49 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 4,685,033 | \$ 4,948,004 | \$ (262,971) | (5.31) % |
| Support services | 3,050,212 | 3,360,558 | (310,346) | (9.23) % |
| Other non-instructional services | - | 1,323 | (1,323) | (100.00) % |
| Extracurricular activities | 248,638 | 275,803 | (27,165) | (9.85) % |
| Debt service | <u>102,115</u> | <u>101,505</u> | <u>610</u> | 0.60 % |
| Total | <u>\$ 8,085,998</u> | <u>\$ 8,687,193</u> | <u>\$ (601,195)</u> | (6.92) % |

Overall revenue in the general fund remained relatively stable, with an increase of only 1.49%. Tuition increased due to an increase in open enrollment. Earnings on investments decreased due to a decrease in interest rates on the District's investments.

Overall expenditures of the general fund decreased \$601,195 or 6.92%. The decrease in expenditures can primarily be attributed to the numerous individuals who have retired over the past two fiscal years and are no longer being paid wages related to instructional functions. All other expenditures remain comparable to fiscal year 2010.

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 year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,266,983. Final budgeted revenues and other financing sources were \$7,888,367. Actual revenues and other financing sources were \$7,888,367.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,003,288 were decreased to \$7,929,551 in the final budget appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 were \$7,825,731, which is \$103,820 less than final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$3,922,705 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 June 30, 2011 balances compared to June 30, 2010:

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

| | Governmental Activities | |
|---------------------------|-------------------------|--------------|
| | 2011 | 2010 |
| Land | \$ 60,088 | \$ 60,088 |
| Land improvements | 284,251 | 311,198 |
| Building and improvements | 2,844,687 | 2,972,495 |
| Furniture and equipment | 583,258 | 656,239 |
| Vehicles | 150,421 | 177,780 |
| Total | \$ 3,922,705 | \$ 4,177,800 |

The overall decrease in capital assets of \$255,095 is due to depreciation expense of \$298,800 exceeding additions of \$43,705.

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

Debt Administration

At June 30, 2011, the District had \$867,475 in lease purchase agreements and \$1,155,000 in general obligation bonds outstanding. Of this total, \$257,076 is due within one year and \$1,765,399 is due within greater than one year. The following table summarizes the lease purchase agreements and bonds outstanding at June 30, 2011 and June 30, 2010.

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|---------------------------|----------------------------|----------------------------|
| | June 30, 2011 | June 30, 2010 |
| Lease purchase agreements | \$ 867,475 | \$ 1,027,543 |
| General obligation bonds | 1,155,000 | 1,260,000 |
| Total | \$ 2,022,475 | \$ 2,287,543 |

At June 30, 2011, the District's overall legal debt margin was \$6,622,432, and an unvoted debt margin of \$83,521.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Unaudited)

Current Financial Related Activities

The District has two emergency levies. The first one originally voted in 2004 was renewed for 5 years at 5.2 Mills. The Levy tax period for this levy ends in 2013, last collection in 2014. The second emergency levy was renewed for a 10 year period in May of 2010. This levy generates \$418,128 and was renewed at 3.9 mills.

Our district had two attempts to pass a Bond Issue as we were approved by the Ohio School Facility Commission for a Building Project. Both times we failed, in May of 2009 and then again in November of 2009 - the November election only failed by 75 votes. Our Board of Education has decided to pursue this Bond Issue as a "Lapsed District" and has filed with the Board of Elections for the November 2011 election. The State of Ohio will pick up 65% of the \$24,000,000 total cost. Our approach for this project this time around has changed. Our plan is now to renovate/rebuild Seaborn Elementary to a K-6 building and renovate the high school to convert it to Junior/Senior High School grades 7-12. The 100 year old Middle School portion will be demolished while maintaining the bus garage, cafeteria and gymnasium. The expected time frame will run from December of 2012 to the Fall of 2015. The total cost to the district including LFI's (Locally Funded Initiatives) is \$9,058,000. Whether the new buildings becomes a reality or not, our district's future plan is to eliminate the current Middle School and reduce our district from 3 buildings to 2 buildings.

The affects of the State of Ohio decision to eliminate Personal Tangible Property Tax still haunt Weathersfield Local School District. Our administration and board of education continues to make applicable decisions to push back the year end deficit, however, as expenditures exceed revenue the end result is obvious.

The restructuring of the district is a constant issue. Beginning with the 2011 fiscal year majority of our special education services which have been contracted out with The Trumbull County Educational Service Center have been brought in-house. Our district in conjunction with McDonald Local Schools has employed our own School Psychologist of which we pay 60% and invoice McDonald for 40% of cost incurred. We also have contracted speech services with Easter Seals of Youngstown which will reduce our cost for services. We are looking into shared busing options as well. The special education supervisor and work study services that we were obtaining from TCESC has also been removed and our staff now handles these positions with our Superintendent handling the Special Education Administrator position. After years of diligent work, the Weathersfield Local Schools have cut their spending to 2006-2007 school year levels. We have downsized via attrition or retirement in both the classified and certificated fields.

The EdJobs grant will be used in fiscal year 2012 toward payroll expenditures. The 2012 year also marks the first year without the ARRA dollars since 2009. Our district administrators and board of education members are aware of all concerning issues and possibilities and continue to study all options.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, 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. Laurena Rouan, 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, 2011

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 2,349,624 |
| Cash in segregated accounts | 5,063 |
| Receivables: | |
| Taxes | 3,130,629 |
| Accounts. | 22,844 |
| Intergovernmental | 273,193 |
| Accrued interest | 614 |
| Prepayments | 28,480 |
| Materials and supplies inventory. | 21,464 |
| Capital assets: | |
| Land. | 60,088 |
| Depreciable capital assets, net. | 3,862,617 |
| Capital assets, net | 3,922,705 |
| Total assets. | 9,754,616 |
| Liabilities: | |
| Accounts payable. | 31,073 |
| Accrued wages and benefits | 661,873 |
| Pension obligation payable. | 172,152 |
| Intergovernmental payable | 40,082 |
| Accrued interest payable | 12,605 |
| Unearned revenue | 2,679,943 |
| Long-term liabilities: | |
| Due within one year. | 359,986 |
| Due in more than one year. | 2,222,929 |
| Total liabilities | 6,180,643 |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 1,900,230 |
| Restricted for: | |
| Capital projects | 16,535 |
| Debt service. | 278,790 |
| Locally funded programs | 78 |
| Federally funded programs | 232,047 |
| Student activities | 76,301 |
| Other purposes | 148,395 |
| Unrestricted | 921,597 |
| Total net assets | \$ 3,573,973 |

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, 2011

| | 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 |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 3,883,475 | \$ 1,591,763 | \$ 234,489 | \$ - | \$ (2,057,223) |
| Special | 1,124,494 | - | 1,049,648 | - | (74,846) |
| Other | 528,727 | - | 12,801 | - | (515,926) |
| Support services: | | | | | |
| Pupil. | 392,125 | - | - | - | (392,125) |
| Instructional staff | 138,636 | - | 17,570 | - | (121,066) |
| Board of education | 21,578 | - | - | - | (21,578) |
| Administration. | 779,286 | - | 17,296 | - | (761,990) |
| Fiscal. | 291,871 | - | 949 | - | (290,922) |
| Business. | 9,144 | - | - | - | (9,144) |
| Operations and maintenance | 1,148,360 | - | 13,541 | 62,830 | (1,071,989) |
| Pupil transportation. | 411,216 | - | 37,386 | - | (373,830) |
| Central | 6,825 | - | 6,825 | - | - |
| Operation of non-instructional services: | | | | | |
| Food service operations | 326,275 | 146,040 | 229,052 | - | 48,817 |
| Extracurricular activities. | 421,963 | 92,508 | 1,047 | - | (328,408) |
| Interest and fiscal charges | 96,829 | - | - | - | (96,829) |
| Total governmental activities | \$ 9,580,804 | \$ 1,830,311 | \$ 1,620,604 | \$ 62,830 | (6,067,059) |

General Revenues:

| | |
|--|---------------------|
| Property taxes levied for: | |
| General purposes | 2,272,325 |
| Debt service. | 111,214 |
| Grants and entitlements not restricted to specific programs | |
| Investment earnings | 15,315 |
| Miscellaneous | 37,784 |
| Total general revenues | 6,628,703 |
| Change in net assets | 561,644 |
| Net assets at beginning of year. | 3,012,329 |
| Net assets at end of year | \$ 3,573,973 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. | \$ 1,775,293 | \$ 574,331 | \$ 2,349,624 |
| Cash in segregated accounts | 5,063 | - | 5,063 |
| Receivables: | | | |
| Taxes. | 3,000,710 | 129,919 | 3,130,629 |
| Accounts | 22,844 | - | 22,844 |
| Intergovernmental. | 21,077 | 252,116 | 273,193 |
| Accrued interest | 614 | - | 614 |
| Prepayments. | 28,480 | - | 28,480 |
| Materials and supplies inventory. | - | 21,464 | 21,464 |
| Total assets | \$ 4,854,081 | \$ 977,830 | \$ 5,831,911 |
| Liabilities: | | | |
| Accounts payable | \$ 8,898 | \$ 22,175 | \$ 31,073 |
| Accrued wages and benefits. | 578,895 | 82,978 | 661,873 |
| Compensated absences payable | 89,474 | - | 89,474 |
| Pension obligation payable | 155,868 | 16,284 | 172,152 |
| Intergovernmental payable | 35,844 | 4,238 | 40,082 |
| Deferred revenue | 444,597 | 247,671 | 692,268 |
| Unearned revenue. | 2,568,601 | 111,342 | 2,679,943 |
| Total liabilities. | \$ 3,882,177 | \$ 484,688 | \$ 4,366,865 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Materials and supplies inventory. | - | 21,464 | 21,464 |
| Prepays. | 28,480 | - | 28,480 |
| Restricted: | | | |
| Debt service | - | 260,585 | 260,585 |
| Food service operations | - | 124,742 | 124,742 |
| Other purposes. | - | 2,727 | 2,727 |
| Extracurricular. | - | 76,301 | 76,301 |
| Committed: | | | |
| Capital improvements | - | 16,535 | 16,535 |
| Assigned: | | | |
| Student instruction | 1,000 | - | 1,000 |
| Student and staff support. | 139,827 | - | 139,827 |
| Other purposes. | 212,809 | - | 212,809 |
| Unassigned (deficit) | 589,788 | (9,212) | 580,576 |
| Total fund balances | 971,904 | 493,142 | 1,465,046 |
| Total liabilities and fund balances | \$ 4,854,081 | \$ 977,830 | \$ 5,831,911 |

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, 2011

| | | | |
|--|----|-----------|-------------|
| Total governmental fund balances | | \$ | 1,465,046 |
| <i>Amounts reported for governmental activities on 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. | | | 3,922,705 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes | \$ | 441,725 | |
| Intergovernmental receivable | | 250,543 | |
| Total | | | 692,268 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (12,605) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | 464,216 | |
| Early retirement incentive | | 6,750 | |
| Lease-purchase agreements payable | | 867,475 | |
| General obligation bonds | | 1,155,000 | |
| Total | | | (2,493,441) |
| Net assets of governmental activities | | \$ | 3,573,973 |

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, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| From local sources: | | | |
| Taxes | \$ 2,301,853 | \$ 111,214 | \$ 2,413,067 |
| Tuition. | 1,566,044 | - | 1,566,044 |
| Charges for services | - | 145,925 | 145,925 |
| Earnings on investments | 15,315 | 115 | 15,430 |
| Extracurricular. | 15,905 | 92,508 | 108,413 |
| Classroom materials and fees | 25,719 | - | 25,719 |
| Contributions and donations | - | 63,877 | 63,877 |
| Other local revenues | 21,879 | - | 21,879 |
| Intergovernmental - state | 4,428,076 | 68,675 | 4,496,751 |
| Intergovernmental - federal | - | 1,087,006 | 1,087,006 |
| Total revenue | <u>8,374,791</u> | <u>1,569,320</u> | <u>9,944,111</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular. | 3,569,071 | 235,075 | 3,804,146 |
| Special | 601,966 | 521,402 | 1,123,368 |
| Other | 513,996 | 14,731 | 528,727 |
| Support services: | | | |
| Pupil | 369,371 | - | 369,371 |
| Instructional staff | 126,102 | 19,940 | 146,042 |
| Board of education | 21,578 | - | 21,578 |
| Administration | 749,270 | 30,791 | 780,061 |
| Fiscal | 288,244 | 3,975 | 292,219 |
| Business. | 9,144 | - | 9,144 |
| Operations and maintenance | 1,127,980 | 22,026 | 1,150,006 |
| Pupil transportation | 358,523 | 31,232 | 389,755 |
| Central | - | 6,825 | 6,825 |
| Operation of non-instructional services: | | | |
| Food service operations. | - | 319,642 | 319,642 |
| Extracurricular activities | 248,638 | 102,896 | 351,534 |
| Debt service: | | | |
| Principal retirement. | 71,000 | 194,068 | 265,068 |
| Interest and fiscal charges | 31,115 | 67,898 | 99,013 |
| Total expenditures | <u>8,085,998</u> | <u>1,570,501</u> | <u>9,656,499</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>288,793</u> | <u>(1,181)</u> | <u>287,612</u> |
| Other financing sources (uses): | | | |
| Transfers in. | - | 55,043 | 55,043 |
| Transfers (out) | <u>(55,043)</u> | <u>-</u> | <u>(55,043)</u> |
| Total other financing sources (uses) | <u>(55,043)</u> | <u>55,043</u> | <u>-</u> |
| Net change in fund balances | 233,750 | 53,862 | 287,612 |
| Fund balances at beginning of year (restated). | <u>738,154</u> | <u>439,280</u> | <u>1,177,434</u> |
| Fund balances at end of year. | <u>\$ 971,904</u> | <u>\$ 493,142</u> | <u>\$ 1,465,046</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, 2011

| | | |
|---|-----------|----------------|
| Net change in fund balances - total governmental funds | \$ | 287,612 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlay in the current period. | | |
| Capital asset additions | \$ 43,705 | |
| Depreciation expense | (298,800) | |
| Total | | (255,095) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | (19,627) | |
| Intergovernmental revenue | 233,569 | |
| Total | | 213,942 |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| Bonds | 105,000 | |
| Lease-purchase agreements | 160,068 | |
| Total | | 265,068 |
| 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. | | |
| | | 2,184 |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated absences | 54,683 | |
| Early retirement incentive | (6,750) | |
| Total | | 47,933 |
| Change in net assets of governmental activities | \$ | 561,644 |

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, 2011

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 1,823,912 | \$ 1,979,870 | \$ 1,979,870 | \$ - |
| Tuition | 1,442,683 | 1,566,044 | 1,566,044 | - |
| Earnings on investments | 14,179 | 15,391 | 15,391 | - |
| Other local revenues | 3,574 | 3,880 | 3,880 | - |
| Intergovernmental - state | 3,943,218 | 4,280,394 | 4,280,394 | - |
| Total revenues | <u>7,227,566</u> | <u>7,845,579</u> | <u>7,845,579</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,589,645 | 3,556,571 | 3,510,005 | 46,566 |
| Special | 614,678 | 609,015 | 601,041 | 7,974 |
| Other | 526,662 | 521,810 | 514,978 | 6,832 |
| Support services: | | | | |
| Pupil | 281,429 | 278,836 | 275,185 | 3,651 |
| Instructional staff | 143,285 | 141,965 | 140,106 | 1,859 |
| Board of education | 22,066 | 21,863 | 21,577 | 286 |
| Administration | 689,668 | 683,314 | 674,368 | 8,946 |
| Fiscal | 269,223 | 266,743 | 263,251 | 3,492 |
| Business | 9,351 | 9,265 | 9,144 | 121 |
| Operations and maintenance | 1,182,019 | 1,171,129 | 1,155,796 | 15,333 |
| Pupil transportation | 358,197 | 354,897 | 350,250 | 4,647 |
| Extracurricular activities | 260,773 | 258,370 | 254,987 | 3,383 |
| Total expenditures | <u>7,946,996</u> | <u>7,873,778</u> | <u>7,770,688</u> | <u>103,090</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(719,430)</u> | <u>(28,199)</u> | <u>74,891</u> | <u>103,090</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 39,417 | 42,788 | 42,788 | - |
| Transfers (out) | <u>(56,292)</u> | <u>(55,773)</u> | <u>(55,043)</u> | <u>730</u> |
| Total other financing sources (uses) | <u>(16,875)</u> | <u>(12,985)</u> | <u>(12,255)</u> | <u>730</u> |
| Net change in fund balance | (736,305) | (41,184) | 62,636 | 103,820 |
| Fund balance at beginning of year (restated). | 1,221,270 | 1,221,270 | 1,221,270 | - |
| Prior year encumbrances appropriated . . . | 103,820 | 103,820 | 103,820 | - |
| Fund balance at end of year | <u>\$ 588,785</u> | <u>\$ 1,283,906</u> | <u>\$ 1,387,726</u> | <u>\$ 103,820</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, 2011

| | <u>Agency</u> |
|---|------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 18,334 |
| Total assets | <u>\$ 18,334</u> |
| Liabilities: | |
| Due to students | \$ 18,334 |
| Total liabilities | <u>\$ 18,334</u> |

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, 2011**

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 486th largest by total enrollment among the 918 public school districts and community schools in the State of Ohio. The District is staffed by 37 non-certified and 74 certified personnel to provide services to approximately 974 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 it does 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 organization's Governing 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

The following organizations are described due to their relationship to the District:

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, 6000 Youngstown Warren Road, Niles, Ohio 44446.

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, 6000 Youngstown Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (the "Center")

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

PUBLIC ENTITY RISK POOLS

Trumbull County Schools Employee Insurance Benefits Consortium (the "Consortium")

The District participates in the Consortium. The Consortium is a shared risk pool comprised of fifteen 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA, and OASBO executive directors serve as ex-officio members. Four hundred and fifty educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

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 and report all financial resources not accounted for and reported 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) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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. The District has no trust funds. 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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 Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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.
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 July 1, 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 certificate of estimated resources issued for fiscal year 2011.
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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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, 2011. 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 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), a repurchase agreement and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$15,315, which includes \$4,339 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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 deductions 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 |

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. The District had no interfund loans outstanding at June 30, 2011.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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 sick leave payments has been calculated using pay rates in effect at June 30, 2011 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 and compensated absences 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.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes amounts restricted for food service operations and uniform school supplies.

The District applies restricted resources first 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.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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

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.

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 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

| | General | Nonmajor Governmental | Total Governmental |
|---------------------------------------|------------|--------------------------|-----------------------|
| Fund balance as previously reported | \$ 706,875 | \$ 470,559 | \$ 1,177,434 |
| Fund reclassifications: | | | |
| Uniform school supplies | 578 | (578) | - |
| Public school support fund | 30,701 | (30,701) | - |
| Total fund reclassifications | 31,279 | (31,279) | - |
| Restated fund balance at July 1, 2010 | \$ 738,154 | \$ 439,280 | \$ 1,177,434 |

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

| | General Fund |
|----------------------------------|--------------|
| Balance at June 30, 2010 | \$ 1,453,654 |
| Funds budgeted elsewhere | (232,384) |
| Restated balance at July 1, 2010 | \$ 1,221,270 |

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---|----------------|
| Education jobs | \$ 68 |
| IDEA Part B | 122 |
| Title I - disadvantaged children | 8,108 |
| Title V - innovative education programs | 222 |
| Title VI-R - improving teacher quality | 692 |

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 (State Treasury Asset Reserve of 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.

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

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 fiscal year end, the District had \$120 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. Cash in Segregated Accounts

At fiscal year end, \$5,063 was on deposit with Farmers National Bank for an athletic account. This amount is included in the total amount of "Deposits with Financial Institutions".

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$1,747,274, exclusive of the \$625,626 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,476,449 of the District's bank balance of \$1,880,613 was exposed to custodial risk as discussed below, while \$404,164 was covered by the FDIC.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2011, the District had the following investments and maturities:

| <u>Investment types</u> | <u>Fair Value</u> | <u>Investment Maturities 6 months or less</u> |
|-------------------------|-------------------|---|
| Repurchase agreement | \$ 625,626 | \$ 625,626 |
| STAR Ohio | <u>1</u> | <u>1</u> |
| Total | <u>\$ 625,627</u> | <u>\$ 625,627</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 investments or collateral securities that are in the possession of an outside party. Of the District's \$625,626 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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, 2011:

| <u>Investment types</u> | <u>Fair Value</u> | <u>% of Total</u> |
|-------------------------|-------------------|-------------------|
| Repurchase agreement | \$ 625,626 | 100.00 |
| STAR Ohio | <u>1</u> | <u>-</u> |
| Total | <u>\$ 625,627</u> | <u>100.00</u> |

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

| | |
|---|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 1,747,274 |
| Investments | 625,627 |
| Cash on hand | <u>120</u> |
| Total | <u>\$ 2,373,021</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 2,354,687 |
| Agency fund | <u>18,334</u> |
| Total | <u>\$ 2,373,021</u> |

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

| | |
|---|-----------|
| <u>Transfers to nonmajor governmental funds from:</u> | |
| General fund | \$ 55,043 |

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. Transfers between governmental funds are eliminated in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$8,589 in the general fund and \$372 in the bond retirement debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$25,828 in the general fund and \$1,109 in the bond retirement debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 unearned revenue.

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | 2010 Second Half Collections | | 2011 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 79,870,570 | 95.60 | \$ 79,918,000 | 95.69 |
| Public utility personal | 3,533,670 | 4.23 | 3,602,520 | 4.31 |
| Tangible personal property | <u>145,680</u> | <u>0.17</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 83,549,920</u> | <u>100.00</u> | <u>\$ 83,520,520</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| General | \$55.20 | | \$55.15 | |
| Debt service | 1.55 | | 1.55 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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 | \$ 3,130,629 |
| Accounts | 22,844 |
| Intergovernmental | 273,193 |
| Accrued interest | <u>614</u> |
| Total | <u>\$ 3,427,280</u> |

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | <u>Balance</u> <u>06/30/10</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/11</u> |
|---|-----------------------------------|---------------------|-------------------|-----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 60,088 | \$ - | \$ - | \$ 60,088 |
| Total capital assets, not being depreciated | <u>60,088</u> | <u>-</u> | <u>-</u> | <u>60,088</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 892,290 | - | - | 892,290 |
| Buildings and improvements | 7,149,730 | - | - | 7,149,730 |
| Furniture and equipment | 3,220,565 | 43,705 | - | 3,264,270 |
| Vehicles | 610,510 | - | - | 610,510 |
| Total capital assets, being depreciated | <u>11,873,095</u> | <u>43,705</u> | <u>-</u> | <u>11,916,800</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (581,092) | (26,947) | - | (608,039) |
| Buildings and improvements | (4,177,235) | (127,808) | - | (4,305,043) |
| Furniture and equipment | (2,564,326) | (116,686) | - | (2,681,012) |
| Vehicles | (432,730) | (27,359) | - | (460,089) |
| Total accumulated depreciation | <u>(7,755,383)</u> | <u>(298,800)</u> | <u>-</u> | <u>(8,054,183)</u> |
| Governmental activities capital assets, net | <u>\$ 4,177,800</u> | <u>\$ (255,095)</u> | <u>\$ -</u> | <u>\$ 3,922,705</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------|
| <u>Instruction:</u> | |
| Regular | \$ 157,125 |
| Special | 15,229 |
| <u>Support services:</u> | |
| Pupil | 1,548 |
| Instructional staff | 4,437 |
| Administration | 8,008 |
| Fiscal | 754 |
| Operations and maintenance | 7,540 |
| Pupil transportation | 24,417 |
| Extracurricular activities | 73,599 |
| Food service operations | 6,143 |
| Total depreciation expense | <u>\$ 298,800</u> |

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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 2011, the District made \$89,068 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. Accumulated depreciation as of June 30, 2011 was \$190,000, leaving a current book value of \$760,000.

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, 2011.

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2012 | \$ 86,268 |
| 2013 | 86,268 |
| 2014 | 86,268 |
| 2015 | <u>66,785</u> |
| Total minimum lease payments | 325,589 |
| Less: amount representing interest | <u>(32,438)</u> |
| Total | <u>\$ 293,151</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 Business 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 is general operating revenues of the District. The District made \$71,000 in principal payments during fiscal year 2011. Principal and interest payments are recorded as debt service expenditures in the general fund.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 9 - LEASE-PURCHASE AGREEMENTS - (Continued)

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. Accumulated depreciation as of June 30, 2011 was \$208,112, leaving a current book value of \$887,212.

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, 2011.

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|-------------------|
| 2012 | \$ 101,554 |
| 2013 | 101,820 |
| 2014 | 100,915 |
| 2015 | 100,837 |
| 2016 | 100,563 |
| 2017 - 2018 | <u>176,744</u> |
| Total minimum lease payments | 682,433 |
| Less: amount representing interest | <u>(108,109)</u> |
| Total | <u>\$ 574,324</u> |

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2002, the District issued \$2,000,000 in general obligation bonds to provide funds for renovations and improvements to Seaborn Elementary. These bonds bear an annual interest rate of 2.10% and mature on December 1, 2021. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the government-wide financial statements. During fiscal year 2011, the District made \$105,000 in principal payments on the bonds. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund (a nonmajor governmental fund). Interest payments are made on December 1 and June 1 each year.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|-------------------|---------------------|
| 2012 | \$ 110,000 | \$ 46,558 | \$ 156,558 |
| 2013 | 40,217 | 119,196 | 159,413 |
| 2014 | 36,555 | 122,857 | 159,412 |
| 2015 | 33,228 | 126,186 | 159,414 |
| 2016 | 115,000 | 41,681 | 156,681 |
| 2017 - 2021 | 665,000 | 118,868 | 783,868 |
| 2022 | <u>155,000</u> | <u>3,681</u> | <u>158,681</u> |
| Total | <u>\$ 1,155,000</u> | <u>\$ 579,027</u> | <u>\$ 1,734,027</u> |

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

| | <u>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> | <u>Amounts</u> |
|---|---------------------|------------------|---------------------|---------------------|-------------------|
| | <u>06/30/10</u> | | | <u>06/30/11</u> | <u>Due in</u> |
| | | | | | <u>One Year</u> |
| Governmental activities: | | | | | |
| Compensated absences | \$ 545,504 | \$ 43,075 | \$ (75,389) | \$ 513,190 | \$ 62,410 |
| Early retirement incentive | 81,000 | 6,750 | (40,500) | 47,250 | 40,500 |
| Lease-purchase agreements payable | 1,027,543 | - | (160,068) | 867,475 | 147,076 |
| General obligation bonds payable | <u>1,260,000</u> | <u>-</u> | <u>(105,000)</u> | <u>1,155,000</u> | <u>110,000</u> |
| Total long-term obligations, governmental activities | <u>\$ 2,914,047</u> | <u>\$ 49,825</u> | <u>\$ (380,957)</u> | <u>\$ 2,582,915</u> | <u>\$ 359,986</u> |

Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the general fund. The lease-purchase agreements will be paid from the general fund and the Joe Lane Sports Complex fund (a nonmajor governmental fund). The general obligation bonds will be paid from the debt service fund (a nonmajor governmental fund)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$6,622,432 (including available funds of \$260,585) and an unvoted debt margin of \$83,521.

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 210 days plus 13% of sick leave days in excess of 210 days.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 11 - EMPLOYEE BENEFITS – (Continued)

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Certified employees are covered up to \$45,000, classified employees are covered up to \$40,000 and bus drivers are covered up to \$32,000.

C. Early Retirement Incentive

In fiscal year 2011, the District provided an early retirement incentive plan for State Teacher’s Retirement System of Ohio (STRS Ohio) employees who were eligible for retirement under STRS Ohio guidelines and retired effective at the end of the 2010 school year, and notified the District by March 17, 2010. Employees who enrolled in the early retirement incentive plan receive two lump sum payments, twelve months apart, into a 403(b) Plan established by the Board on behalf of the retiring employee. The first lump-sum payment will be made by November 1, 2010. The second lump-sum payment will be made by November 1, 2011. Six employees took advantage of the early retirement incentive in fiscal year 2010 and received payments in 2011 or 2012. A liability for the early retirement incentive payments has been recorded in the fund financial statements for the amount expected to be liquidated with expendable available financial resources. The entire liability is recorded on the statement of net assets.

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 2011, the District contracted with First Place Insurance for property insurance and inland marine coverage; and with Indiana Insurance for fleet and liability insurance. Coverages are as follows:

| | |
|---|--------------|
| <i>Indiana Insurance provider for:</i> | |
| Building and Contents - replacement cost (\$5,000 deductible) | \$31,130,647 |
| Inland Marine Coverage (\$1,000 deductible) | |
| Boiler Insurance (\$1,000 deductible) | |
| Crime / Dishonesty Insurance (\$1,000 deductible) | 25,000 |
| <i>Ohio School Plan - Indiana 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

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 fifteen 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 | \$1,111.86 | \$427.48 |
| Vision | 6.54 | 2.37 |
| Dental | 74.36 | 20.98 |

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 \$5.00 deductible for generic drugs and a \$10.00 deductible for brand name 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 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$121,419, \$130,904 and \$93,716, respectively; 57.63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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CONTINUED

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$533,398, \$528,566 and \$526,414, respectively; 83.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$21,673 made by the District and \$15,481 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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CONTINUED

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$35,575, \$25,585 and \$59,071, respectively; 57.63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,814, \$7,785 and \$7,732, respectively; 57.63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$41,031, \$41,672 and \$40,659, respectively; 83.31 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 62,636 |
| Net adjustment for revenue accruals | (10,189) |
| Net adjustment for expenditure accruals | 128,365 |
| Net adjustment for other sources/uses | (42,788) |
| Funds budgeted elsewhere | (23,895) |
| Adjustment for encumbrances | 119,621 |
| GAAP basis | \$ 233,750 |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the emergency levy fund and the public school support fund.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 17 - SET-ASIDES

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

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

| | <u>Textbooks</u> | <u>Capital Improvements</u> |
|---|---------------------|---------------------------------|
| Set-aside balance June 30, 2010 | \$ - | \$ - |
| Current year set-aside requirement | 154,661 | 154,661 |
| Contributions in excess of the current fiscal year set-aside requirement | - | - |
| Current year qualifying expenditures | (112,365) | (247,934) |
| Excess qualified expenditures from prior years | (522,675) | - |
| Current year offsets | - | - |
| Waiver granted by ODE | - | - |
| Prior year offset from bond proceeds | - | - |
| Total | <u>\$ (480,379)</u> | <u>\$ (93,273)</u> |
| Balance carried forward to fiscal year 2012 | <u>\$ -</u> | <u>\$ -</u> |
| Set-aside balance June 30, 2011 | <u>\$ -</u> | <u>\$ -</u> |

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
CONTINUED

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|--------------------|----------------------------------|
| General fund | \$ 115,687 |
| Other governmental | <u>76,796</u> |
| Total | <u>\$ 192,483</u> |

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Expenditures |
|--|------------------------------------|---------------------------|---------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| <i>Passed Through Ohio Department of Education: Child Nutrition Cluster:</i> | | | |
| Non Cash Assistance (Food Distribution): National School Lunch Program | 10.555 | \$7,234 | \$7,234 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 40,355 | 40,355 |
| National School Lunch Program | 10.555 | <u>163,203</u> | <u>163,203</u> |
| <i>Total Child Nutrition Cluster</i> | | <u>210,792</u> | <u>210,792</u> |
| Total U. S. Department of Agriculture | | <u>210,792</u> | <u>210,792</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>Passed Through Ohio Department of Education: Title 1, Part A Cluster:</i> | | | |
| Grants to Local Educational Agencies - Title 1 | 84.010 | 215,327 | 230,052 |
| ARRA Grants to Local Educational Agencies - Title 1 | 84.389 | <u>52,707</u> | <u>73,211</u> |
| <i>Total Title 1, Part A Cluster</i> | | 268,034 | 303,263 |
| <i>Special Education Cluster:</i> | | | |
| Special Education Grants to States | 84.027 | 178,531 | 179,317 |
| ARRA Special Education Grants to States | 84.391 | <u>55,967</u> | <u>55,967</u> |
| <i>Total Special Education Cluster</i> | | 234,498 | 235,284 |
| Education Technology State Grants | 84.318 | 736 | 915 |
| Improving Teacher Quality State Grants - Title II, Part A | 84.367 | 44,259 | 44,052 |
| ARRA State Fiscal Stabilization Fund | 84.394 | <u>245,320</u> | <u>261,337</u> |
| Total U. S. Department of Education | | <u>792,847</u> | <u>844,851</u> |
| Totals | | <u>\$1,003,639</u> | <u>\$1,055,643</u> |

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

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Weathersfield Local School District's (the District) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Government assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated commodities.



Dave Yost • Auditor of State

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 17, 2011, wherein we noted the District implemented Governmental Accounting Standards Board (GASB) Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 17, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, Board of Education, federal awarding agencies and pass-through entities and others within the District. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 17, 2011

**WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

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 weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): Title 1, Part A, Cluster | CFDA Numbers: 84.010 and 84.389 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Weathersfield Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 17, 2011

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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
DECEMBER 15, 2011**