WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying general-purpose financial statements of the Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Weathersfield Local School District, Trumbull County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District is experiencing certain financial difficulties. These conditions, and management's plans to address these conditions, are described in Note 18.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

April 30, 2003

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WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	$ 1,219,615	$ 94,642	$ 187,285	$ 1,297,023
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	3,866,379	-	168,102	-
Accounts	1,067	75	-	50
Accrued interest	297	-	-	-
Interfund loan receivable	103,818	-	-	-
Due from other governments	-	56,290	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	28,884	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	33,107	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	$ 5,253,167	$ 151,007	$ 355,387	$ 1,297,073
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	$ 53,173	$ 2,859	$ -	$ 203
Contracts payable	-	-	-	241,421
Accrued wages and benefits	567,942	27,553	-	-
Compensated absences payable	49,567	-	-	-
Pension obligation payable	98,720	4,978	-	-
Interfund loan payable	-	12,040	-	61,013
Deferred revenue	3,851,756	7,663	167,466	-
Due to other governments	49,775	2,141	-	-
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Capital lease obligation	-	-	-	-
Total liabilities	4,670,933	57,234	167,466	302,637
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit): unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	110,858	34,700	-	738,089
Reserved for prepayments	28,884	-	-	-
Reserved for debt service	-	-	187,285	-
Reserved for tax revenue unavailable for appropriation	14,623	-	636	-
Reserved for BWC refunds	33,107	-	-	-
Unreserved-undesignated	394,762	59,073	-	256,347
Total equity and other credits	582,234	93,773	187,921	994,436
Total liabilities, equity and other credits	$ 5,253,167	$ 151,007	$ 355,387	$ 1,297,073

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$ 16,399	$ 20,613	$ -	$ -	$ 2,835,577
-	-	-	-	4,034,481
573	-	-	-	1,765
-	-	-	-	297
-	-	-	-	103,818
25,655	-	-	-	81,945
7,689	-	-	-	7,689
-	-	-	-	28,884
-	-	-	-	33,107
17,289	-	10,236,345	-	10,253,634
-	-	-	187,921	187,921
-	-	-	4,343,340	4,343,340
$ 67,605	$ 20,613	$ 10,236,345	$ 4,531,261	$ 21,912,458
$ -	$ -	$ -	$ -	$ 56,235
-	-	-	-	241,421
15,277	-	-	-	610,772
15,135	-	-	486,766	551,468
6,882	-	-	41,695	152,275
29,146	1,619	-	-	103,818
5,785	-	-	-	4,032,670
1,464	-	-	-	53,380
-	18,994	-	-	18,994
-	-	-	2,000,000	2,000,000
-	-	-	2,002,800	2,002,800
73,689	20,613	-	4,531,261	9,823,833
-	-	10,236,345	-	10,236,345
2,720	-	-	-	2,720
(8,804)	-	-	-	(8,804)
-	-	-	-	883,647
-	-	-	-	28,884
-	-	-	-	187,285
-	-	-	-	15,259
-	-	-	-	33,107
-	-	-	-	710,182
(6,084)	-	10,236,345	-	12,088,625
$ 67,605	$ 20,613	$ 10,236,345	$ 4,531,261	$ 21,912,458

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WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 3,726,828	$ -	$ 195,941	$ -	$ 3,922,769
Tution	776,706	-	-	-	776,706
Earnings on investments	68,449	-	-	59,752	128,201
Extracurricular	-	95,795	-	-	95,795
Other local revenues	1,810	10,076	-	90,879	102,765
Other revenue	-	9,131	-	-	9,131
Intergovernmental - State	3,087,724	78,588	12,106	20,400	3,198,818
Intergovernmental - Federal	-	205,191	-	-	205,191
Total revenue	7,661,517	398,781	208,047	171,031	8,439,376
Expenditures:					
Current:					
Instruction:					
Regular	3,871,240	50,373	-	39,856	3,961,469
Special	352,290	202,011	-	-	554,301
Other	260,204	-	-	-	260,204
Support services:					
Pupil	525,560	9,555	-	-	535,115
Instructional staff	140,449	18,729	-	-	159,178
Board of Education	9,381	-	-	-	9,381
Administration	659,590	13,238	-	-	672,828
Fiscal	244,465	-	2,782	-	247,247
Business	11,078	-	-	-	11,078
Operations and maintenance	1,018,760	397	-	944,548	1,963,705
Pupil transportation	440,316	-	-	-	440,316
Central	95	23,022	-	7,500	30,617
Extracurricular activities	148,649	101,655	-	-	250,304
Facilities acquisition and construction	156,989	-	-	2,073,661	2,230,650
Debt service:					
Principal retirement	4,125	-	105,739	2,000,000	2,109,864
Interest and fiscal charges	-	-	63,576	75,039	138,615
Total expenditures	7,843,191	418,980	172,097	5,140,604	13,574,872
Excess (deficiency) of revenues over (under) expenditures	(181,674)	(20,199)	35,950	(4,969,573)	(5,135,496)
Other financing sources (uses):					
Operating transfers in	1	1,379	86,303	25,000	112,683
Operating transfers out	(26,414)	(1)	-	(86,268)	(112,683)
Premium and accrued interest on bonds and notes sold	-	-	2,033	5,826	7,859
Inception of capital lease	29,700	-	-	-	29,700
Proceeds from lease-purchase agreement	-	-	-	1,095,324	1,095,324
Proceeds from sale of bonds	-	-	-	2,000,000	2,000,000
Proceeds from sales of notes	-	-	-	2,000,000	2,000,000
Proceeds from sale of fixed assets	9,234	-	-	749	9,983
Total other financing sources (uses)	12,521	1,378	88,336	5,040,631	5,142,866
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(169,153)	(18,821)	124,286	71,058	7,370
Fund balances, July 1	751,387	112,594	63,635	923,378	1,850,994
Fund balances, June 30	$ 582,234	$ 93,773	$ 187,921	$ 994,436	$ 1,858,364

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$ 3,709,058	$ 3,745,195	$ 36,137	$ -	$ -	$ -
Tuition	775,488	776,706	1,218	-	-	-
Earnings on investments	70,350	68,351	(1,999)	-	-	-
Extracurricular	-	-	-	95,675	95,715	40
Other local revenues	1,860	1,810	(50)	11,148	11,143	(5)
Other revenues	-	-	-	4,000	4,000	-
Intergovernmental - State	3,013,372	3,087,724	74,352	75,138	75,138	-
Intergovernmental - Federal	-	-	-	244,893	244,893	-
Total revenues	7,570,128	7,679,786	109,658	430,854	430,889	35
Expenditures:						
Current:						
Instruction:						
Regular	3,980,032	3,981,794	(1,762)	51,023	48,251	2,772
Special	345,570	345,592	(22)	224,935	202,787	22,148
Other	260,562	260,677	(115)	-	-	-
Support services:						
Pupil	530,896	531,614	(718)	16,427	20,785	(4,358)
Instructional staff	161,437	158,666	2,771	21,230	18,322	2,908
Board of Education	9,457	9,398	59	-	-	-
Administration	668,192	662,143	6,049	16,941	13,073	3,868
Fiscal	259,985	257,912	2,073	-	-	-
Business	12,125	12,043	82	-	-	-
Operations and maintenance	1,104,758	1,111,613	(6,855)	397	397	-
Pupil transportation	501,026	488,199	12,827	-	-	-
Central	95	95	-	23,022	23,022	-
Extracurricular activities	146,489	146,206	283	157,389	128,348	29,041
Facilities acquisition and construction	167,815	143,512	24,303	-	-	-
Intergovernmental pass-through	-	(63,681)	63,681	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	8,148,439	8,045,783	102,656	511,364	454,985	56,379
Excess (deficiency) of revenues over (under) expenditures	(578,311)	(365,997)	212,314	(80,510)	(24,096)	56,414
Other financing sources (uses):						
Advances in	56,582	56,582	-	2,045	2,045	-
Advances out	-	(93,819)	(93,819)	-	(42,900)	(42,900)
Operating transfers in	1	1	-	1,379	1,379	-
Operating transfers out	(50,000)	(33,242)	16,758	(1)	(1)	-
Premium and accrued interest on bonds and notes sold	-	-	-	-	-	-
Proceeds of lease purchase agreement	-	-	-	-	-	-
Proceeds from sales of bonds	-	-	-	-	-	-
Proceeds from sales of notes	-	-	-	-	-	-
Refund of prior year's receipts	-	(12,353)	(12,353)	-	-	-
Refund of prior year expenditure	25,000	25,339	339	-	-	-
Proceeds from sale of fixed assets	9,250	9,234	(16)	-	-	-
Total other financing sources (uses)	40,833	(48,258)	(89,091)	3,423	(39,477)	(42,900)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(537,478)	(414,255)	123,223	(77,087)	(63,573)	13,514
Fund balances, July 1	1,110,729	1,110,729	-	68,616	68,616	-
Prior year encumbrances appropriated	394,961	394,961	-	54,661	54,661	-
Fund balances, June 30	$ 968,212	$ 1,091,435	$ 123,223	$ 46,190	$ 59,704	$ 13,514

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
$ 236,921	$ 197,045	$ (39,876)	$ -	$ -	$ -	$ 3,945,979	$ 3,942,240	$ (3,739)
-	-	-	-	-	-	775,488	776,706	1,218
-	-	-	62,545	59,752	(2,793)	132,895	128,103	(4,792)
-	-	-	-	-	-	95,675	95,715	40
-	-	-	87,825	90,829	3,004	100,833	103,782	2,949
-	-	-	918	-	(918)	4,918	4,000	(918)
12,227	12,106	(121)	19,725	20,400	675	3,120,462	3,195,368	74,906
-	-	-	-	-	-	244,893	244,893	-
249,148	209,151	(39,997)	171,013	170,981	(32)	8,421,143	8,490,807	69,664
-	-	-	66,808	66,808	-	4,097,863	4,096,853	1,010
-	-	-	-	-	-	570,505	548,379	22,126
-	-	-	-	-	-	260,562	260,677	(115)
-	-	-	-	-	-	547,323	552,399	(5,076)
-	-	-	-	-	-	182,667	176,988	5,679
3,582	2,782	800	-	-	-	13,039	12,180	859
-	-	-	-	-	-	685,133	675,216	9,917
-	-	-	-	-	-	259,985	257,912	2,073
-	-	-	-	-	-	12,125	12,043	82
-	-	-	1,327,990	1,327,990	-	2,433,145	2,440,000	(6,855)
-	-	-	-	-	-	501,026	488,199	12,827
-	-	-	7,500	7,500	-	30,617	30,617	-
-	-	-	-	-	-	303,878	274,554	29,324
-	-	-	2,797,474	2,773,176	24,298	2,965,289	2,916,688	48,601
-	-	-	-	-	-	-	(63,681)	63,681
105,739	105,739	-	4,000,000	4,000,000	-	4,105,739	4,105,739	-
63,576	63,576	-	75,047	75,039	8	138,623	138,615	8
172,897	172,097	800	8,274,819	8,250,513	24,306	17,107,519	16,923,378	184,141
76,251	37,054	(39,197)	(8,103,806)	(8,079,532)	24,274	(8,686,376)	(8,432,571)	253,805
-	-	-	58,995	61,013	2,018	117,622	119,640	2,018
-	-	-	-	-	-	-	(136,719)	(136,719)
86,303	86,303	-	24,173	25,000	827	111,856	112,683	827
-	-	-	(36,700)	(86,268)	(49,568)	(86,701)	(119,511)	(32,810)
-	-	-	5,633	5,826	193	5,633	5,826	193
-	-	-	1,095,324	1,095,324	-	1,095,324	1,095,324	-
2,000	2,033	33	2,000,000	2,000,000	-	2,002,000	2,002,033	33
-	-	-	2,000,000	2,000,000	-	2,000,000	2,000,000	-
-	-	-	-	-	-	-	(12,353)	(12,353)
-	-	-	-	-	-	25,000	25,339	339
-	-	-	724	749	25	9,974	9,983	9
88,303	88,336	33	5,148,149	5,101,644	(46,505)	5,280,708	5,102,245	(178,463)
164,554	125,390	(39,164)	(2,955,657)	(2,977,888)	(22,231)	(3,405,668)	(3,330,326)	75,342
61,895	61,895	-	2,036,422	2,036,422	-	3,277,662	3,277,662	-
-	-	-	1,258,776	1,258,776	-	1,708,398	1,708,398	-
$ 226,449	$ 187,285	$ (39,164)	$ 339,541	$ 317,310	$ (22,231)	$ 1,580,392	$ 1,655,734	$ 75,342

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS(ACCUMULATED DEFICIT)/FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	$ 25,594
Sales/charges for services	178,069
Total operating revenues	203,663
Operating expenses:	
Personal services	192,239
Purchased services	3,914
Materials and supplies	159,805
Depreciation	716
Other	7,909
Total operating expenses	364,583
Operating loss	(160,920)
Nonoperating revenues:	
Operating grants	110,308
Federal commodities	24,882
Gain on sale of assets	70
Interest revenue	769
Total nonoperating revenues	136,029
Net loss	(24,891)
Retained earnings, July 1	16,087
Retained earnings(accumulated deficit), June 30	(8,804)
Contributed capital, June 30	2,720
Total fund equity, June 30	$ (6,084)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees.	$ 25,664
Cash received from sales/service charges.	178,033
Cash payments for personal services	(195,695)
Cash payments for purchased services	(4,238)
Cash payments for materials and supplies.	(134,524)
Cash payments for other expenses	(7,909)
Net cash used in operating activities	(138,669)
Cash flows from noncapital financing activities:	
Cash received from operating grants	98,310
Cash used for repayment of interfund loans	(9,682)
Cash received from interfund loans.	29,146
Net cash provided by noncapital financing activities	117,774
Cash flows from capital and related financing activities:	
Gain on sale of assets	70
Net cash provided by capital and related financing activities	70
Cash flows from investing activities:	
Interest received	769
Net cash provided by investing activities	769
Net decrease in cash and cash equivalents	(20,056)
Cash and cash equivalents at beginning of year	36,455
Cash and cash equivalents at end of year.	$ 16,399
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	$ (160,920)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	716
Federal donated commodities	24,882
Changes in assets and liabilities:	
Increase in materials and supplies inventory.	(969)
Decrease in accounts receivable.	34
Increase in due to other governements.	1,464
Decrease in accounts payable	(324)
Decrease in accrued wages and benefits.	(4,127)
Increase in compensated absences payable	251
Decrease in pension obligation payable	(1,044)
Increase in deferred revenue.	1,368
Net cash used in operating activities.	$ (138,669)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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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 705 public and community school districts in the State of Ohio. The District is staffed by 32 non-certificated and 84 certificated personnel to provide services to approximately 1,066 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)
NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Northeast Ohio Instructional Media Center (NEOIMC)
NEOIMC is a jointly governed organization among 45 school districts. The organization was formed for the purpose of providing quality films and/or other media to support the curricula of the District. Each member pays a monthly premium based on use of the media materials. NEOIMC is governed by an advisory committee made up of a member from a parochial school, a JVS, one county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Financial information can be obtained by contacting the treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC)
NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. Information can be obtained by contacting the treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio 44507.

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.

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

PUBLIC ENTITY RISK POOL

Trumbull County Insurance Consortium (the “Consortium”)
The District participates in the Consortium. The Consortium is a shared risk pool comprised of sixteen Trumbull County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

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

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis with note disclosure of accruals, that in another fund type, would be recognized on the combined balance sheet (see Note 3).

ACCOUNT GROUPS

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

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds, the expendable trust fund and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues.

Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. 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.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund type level of expenditures. Budgetary modifications made outside the primary level of budgetary control may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund type level (which is the legal level of budgetary control). The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund type appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among objects, functions and funds may be modified during the year without approval of the Board.

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

Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison - All Governmental Fund Types" are provided on the budgetary basis to facilitate a comparison of actual results to the final budget, including all amendments and modifications. Although the legal level of budgetary control was established at the fund type level, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying GPFS. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 14 discloses encumbrances outstanding for the enterprise funds at fiscal year-end.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be re-appropriated.

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During 2002, investments were limited to repurchase agreements, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to $68,449, which includes $23,559 assigned from other District funds.

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

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

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

F. Inventory

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used. The balance of materials and supplies inventory for the governmental funds at June 30, 2002 was not material and not presented on the GPFS.

G. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

1. *General Fixed Assets Account Group*

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the general fixed assets account group. The District has a policy of not capitalizing assets with a cost less than $500. Donated fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure. The District has elected not to record depreciation in the general fixed assets account group. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

2. *Proprietary Funds*

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost less than $500. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Furniture and equipment	5 - 20

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the 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.

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.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the general long-term obligations account group. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

J. Long-Term Obligations

In general, governmental funds payables and accrued liabilities are reported as obligations of the funds regardless of whether they are liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension and special termination benefits are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payment made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Capital leases, the lease-purchase agreement, and the early retirement incentive are recognized as a liability of the general long-term obligations account group until resources have been accumulated in the fund for payment early in the following year.

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Balance Reserves

Reserved or designated fund balances indicate that portion of fund equity which are not available for current appropriation or use. The unreserved and undesignated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation and Bureau of Workers' Compensation (BWC) refunds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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

L. Interfund Transactions

During the course of normal operations, the District may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.

3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable or payable at June 30, 2002.

4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2002.

See Note 5 for an analysis of interfund transactions.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 19 for details.

N. Estimates

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

O. Memorandum Only - Total Columns

Total columns on the GPFS are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2002 included the following fund deficits:

	Deficit Balance
Special Revenue Funds	
Professional Development Block	$ 90
Miscellaneous Federal Grants	860
DPIA	8,708
Miscellaneous State Grants	9,581
Title VI-R	2,558
Capital Projects Fund	
Joe Lane Sports Complex	57,851
Enterprise Funds	
Food Service	25,662

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the DPIA special revenue fund is caused by accruing wage, benefit and pension obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Title VI-R, Miscellaneous Federal Grants, and Miscellaneous State Grants special revenue funds, and Joe Lane Sports Complex capital projects fund are caused by reporting short-term interfund loans from other funds as a liability rather than as an "other financing source." These deficits will be eliminated as intergovernmental revenues are received to repay these interfund loans.

The deficit retained earnings in the Food Service enterprise fund is caused by reporting short-term interfund loans from other funds as a liability rather than as "other non-operating revenue". This deficit will be eliminated by future user charges that will repay the short-term loan.

B. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES	
Accounts payable	$4,500

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". State statutes require the classification of monies held by the District into three categories:

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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

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

Cash on Hand: At fiscal year-end, the District had $100 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year-end, the carrying amount of the District's deposits was $(18,505) and the bank balance was $120,862. The District did not record a liability due to the "zero balance" nature of the account. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	$2,887,089	$2,887,089	$2,887,089

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	$ 2,868,684	$ 0
Investments in the cash management pool:		
Repurchase agreement	(2,887,089)	2,887,089
Cash on hand	(100)	0
GASB Statement No. 3	$ (18,505)	$2,887,089

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	$103,818	$ -
Special Revenue Funds		
Extracurricular	-	31
Rotary Fund	-	2,009
Wellness Grant	-	10,000
Capital Projects Fund		
Joe Lane Sports Complex	-	61,013
Enterprise Fund		
Food Service	-	29,146
Agency Fund	-	1,619
Total	$103,818	$103,818

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal 2002:

	Transfers In	Transfers Out
General Fund	$ 1	$ 26,414
Special Revenue Funds		
Eisenhower	1,379	-
Title IV	-	1
Debt Service Fund		
Bond Retirement	86,303	-
Capital Projects Fund		
Joe Lane Stadium Project	25,000	86,268
Total	$112,683	$112,683

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2001 taxes were collected was $102,810,420. Agricultural/Residential and public utility/minerals real estate represented $45,077,510 or 43.9% of this total; Commercial & Industrial real estate represented $12,220,110 or 11.8% of this total, public utility tangible represented $6,204,330 or 6% of this total and general tangible property represented $39,308,470 or 38.3% of this total. The voted general tax rate at the fiscal year-ended June 30, 2002 was $48.67 per $1,000.00 of assessed valuation for operations, and $1.60 per $1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The District receives property taxes from Trumbull and Mahoning counties. The County Treasurers collect property taxes on behalf of the District. The County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2002, was $15,259 and is recorded as revenue and reserved fund balance.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, interfund loans, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements (to the extent eligibility requirements were met by year-end). Intergovernmental receivables have been recorded as "Due From Other Governments" on the balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable conditions of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - current and delinquent	$3,866,379
Accounts	1,067
Accrued interest	297
Interfund loans	103,818
Special Revenue Funds	
Accounts receivable	75
Due from other governments	56,290
Debt Service Fund	
Taxes - current and delinquent	168,102
Enterprise Funds	
Accounts	573
Due from other governments	25,655

NOTE 8 - FIXED ASSETS

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

	Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Land/improvements	$ 568,669	$ 523,426	$ (222,838)	$ 869,257
Buildings/improvements	4,580,812	822,963	(24,489)	5,379,286
Furniture and equipment	2,487,549	266,892	(8,146)	2,746,295
Vehicles	548,211	85,082	(146,452)	486,841
Construction in Progress	548,870	1,534,733	(1,328,937)	754,666
Total	$8,734,111	$3,233,096	$(1,730,862)	$10,236,345

The construction in progress balance represents cost incurred by June 30, 2002 to the Seaborn Construction Project. The decrease in construction in progress represents the capitalization of the Joe Lane Stadium Complex to the respective categories.

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	$ 101,429
Less: accumulated depreciation	(84,140)
Net fixed assets	$ 17,289

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 2002, the District made $68,099 in principal payments on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of land improvements and building improvements have been capitalized in the general fixed assets account group in the amount of $950,000.

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, 2002.

NOTE 9 - LEASE - PURCHASE AGREEMENTS - (Continued)

Fiscal Year Ending June 30	Amount
2003	$ 86,268
2004	86,268
2005	86,268
2006	86,268
2007	86,268
2008 - 2012	431,340
2013 - 2016	345,069
Total	1,207,749
Less: amount representing interest	(325,848)
Present value of minimum lease payments	$ 881,901

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 OASBO Expanded Asset Pooled Financing Program) for building improvements throughout the District. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the District. No principal or interest payments were required in fiscal 2002. Principal and interest payments will be recorded as debt service expenditures in the debt service fund.

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. As of June 30, 2002, general fixed assets consisting of construction in progress have not been capitalized in the general fixed assets account group. There were no costs incurred prior to June 30, 2002, related to construction funded by the lease-purchase agreement.

NOTE 9 - LEASE - PURCHASE AGREEMENTS - (Continued)

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, 2002.

Fiscal Year Ending June 30	Amount
2003	$ 94,526
2004	103,144
2005	103,273
2006	103,107
2007	102,701
2008 - 2012	512,600
2013 - 2016	408,853
2017 - 2018	178,724
Total	1,606,928
Less: amount representing interest	(511,604)
Present value of minimum lease payments	$1,095,324

NOTE 10 - LONG-TERM OBLIGATIONS

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

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	$ 80,000	$ 37,454	$ 117,454
2004	85,000	73,229	158,229
2005	90,000	71,274	161,274
2006	90,000	68,933	158,933
2007	95,000	66,233	161,233
2008 - 2012	515,000	232,712	747,712
2013 - 2017	225,000	461,354	686,354
2018 - 2022	665,000	134,673	799,673
2023	155,000	7,363	162,363
Total	$2,000,000	$1,153,225	$3,153,225

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. On August 28, 2001, the District issued $2,000,000 in bond anticipation notes to repay previously issued bond anticipation notes (see Note 11). These notes bear an annual interest rate of 3.75% and matured on January 21, 2002. The bond anticipation notes were retired using proceeds from the $2,000,000 general obligation bond issue described in Note 10.A. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes are considered long-term obligation since they have been replaced with long-term bonds before the end of the fiscal year. A summary of bond anticipation note transactions for the year ended June 30, 2002 follows:

	Principal Outstanding July 1, 2001	Additions	Reductions	Principal Outstanding June 30, 2002
Capital Projects Fund				
Bond anticipation notes - 3.75%	$ -	$2,000,000	$(2,000,000)	$ -

C. During the fiscal year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group:

	Balance July 1, 2001	Increase	Decrease	Balance June 30,2002
Energy conservation loan	$ 37,640	$ -	$ (37,640)	$ -
Compensated absences	460,793	25,973	-	486,766
Pension obligation payable	40,131	41,695	(40,131)	41,695
Lease-purchase agreements payable	950,000	1,125,024	(72,224)	2,002,800
Bond anticipation note payable	-	2,000,000	(2,000,000)	-
General obligation bonds payable	-	2,000,000	-	2,000,000
Total	$1,488,564	$5,192,692	$(2,149,995)	$4,531,261

Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences will be paid from the fund from which the employees' salaries are paid. The pension obligation payable represents contractually required pension contributions made outside the available period and will be paid from the fund from which the employee is paid. The capital lease obligations will be paid from the general fund and debt service fund. The general obligation bonds will be paid from the debt service fund.

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of $7,252,938 (including available funds of $192,921) and an unvoted debt margin of $102,810.

NOTE 11 - NOTES PAYABLE

On March 1, 2001, the District issued $2,000,000 in bond anticipation notes to begin the renovations and improvements to the Seaburn elementary school. These notes bore an annual interest rate of 4.55% and matured on August 30, 2001. These bond anticipation notes were recorded as a liability of the capital project funds, the funds which received the proceeds. A summary of bond anticipation note transactions for the year ended June 30, 2002 follows:

	Principal Outstanding June 30, 2001	Additions	Reductions	Principal Outstanding June 30,2002
Capital Projects Funds				
Bond anticipation notes - 4.55%	$2,000,000	$ -	$2,000,000	$ -

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Early Retirement Incentive

The District has offered its certified personnel an early retirement incentive (ERI). The ERI is effective for the period July 16, 2000 through July 15, 2003. All certified employees who first attain 30 years of service or attain 25 - 29 years of service and age 55 during the ERI period are eligible. Upon election to retire, the District will pay one-third of the employee’s contractual salary, excluding supplemental salaries and extended time. The ERI benefit is paid in two installments, twelve months apart. The first installment is made within 30 days after the District receives evidence of receipts of the first retirement payment from the State Teachers Retirement System. As of June 30, 2002, four employees have elected to take the ERI. The liability for the ERI benefits paid the employees in the available period is recorded as “compensated absences payable” in the fund from which the employee was paid. The remainder is recorded in the general long-term obligation account group.

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Certified employees are covered up to $35,000, classified employees are covered up to $30,000 and bus drivers are covered up to $22,000.

NOTE 13 - 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 2002, the District contracted with Indiana Insurance for property insurance and inland marine coverage; and with Nationwide Insurance for fleet and liability insurance. Coverages are as follows:

M. Canon Hunt Insurance provider for:	
Building and Contents - replacement cost ($500 deductible)	$21,715,979
Inland Marine Coverage ($100 deductible)	
Boiler Insurance ($250 deductible)	
Crime Insurance	3,000
Nationwide - Jim Lewis Insurance provider for:	
Automobile Liability ($100 deductible)	$ 1,000,000
Uninsured Motorists ($250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000/1,000,000
Nationwide - Harcum-Hyre Insurance provider for:	
Fleet Liability	1,000,000/5,000,000

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

B. Medical, Dental, Vision and Drug Benefits

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

	Family Coverage	Single Coverage
Medical and prescription drug	$1,031.74	$412.79
Medical only	858.28	329.97
Prescription drug only	173.46	82.83
Vision	7.89	2.86
Dental	65.43	18.47

The District pays 90% of the premium after one year of employment, 95% after two years of employment and 100% after three years of employment. The plan utilizes a $2.00 deductible for name brand and generic drugs.

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participated in the Stark County School Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium to the state GRP. A participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selective criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The following table reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total
Operating revenue	$ 178,069	$25,594	$ 203,663
Operating expenses before depreciation	338,039	25,828	363,867
Depreciation	716	-	716
Operating income/(loss)	(160,686)	(234)	(160,920)
Operating grants	110,308	-	110,308
Federal donated commodities	24,882	-	24,882
Net income/(loss)	(24,657)	(234)	(24,891)
Net working capital	(25,096)	16,858	(8,238)
Total assets	50,747	16,858	67,605
Total liabilities	73,689	-	73,689
Contributed capital	2,720	-	2,720
Total equity	(22,942)	16,858	(6,084)
Encumbrances at 06/30/02	324	-	324

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were $131,560 , $117,623, and $41,163, respectively; 53.7% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $60,912, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were $514,408, $476,892, and $178,815, respectively; 83.3% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $85,688, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled $165,345 during fiscal 2002.

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was $3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were $300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were $161.440 million and the target level was $242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of $315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $82,670 during the 2002 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING- (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	$(414,255)	$(63,573)	$125,390	$(2,977,888)
Net adjustment for revenue accruals	(18,269)	(32,108)	(1,104)	50
Net adjustment for expenditure accruals	41,305	1,067	-	2,130,196
Net adjustment for other financing sources/(uses)	60,779	40,855	-	(61,013)
Encumbrances (budget basis)	161,287	34,938	-	979,713
GAAP basis	$(169,153)	$(18,821)	$124,286	$ 71,058

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District was not involved in any pending litigation as plaintiff, or defendant, as of June 30, 2002.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

NOTE 18 - CONTINGENCIES (Continued)

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

D. Subsequent Event - Fiscal Caution

Beginning October, 2002, the District incurred an annual loss of approximately $621,000 in tangible personal property taxes previously paid by the RMI Titanium Corporation. This situation was attributed to a personal property tax exemption given to RMI Titanium Corporation for inventory and equipment earmarked for military use. The loss of tax revenue has created a projected cash deficit between 2% and 8% which has resulted in the District being placed in Fiscal Caution as of March 31, 2003 in accordance with Section 3316.031(B)(3) of the Ohio Revised Code. The District has planned for $300,000 in budget cuts for the year.

NOTE 19 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbooks	Capital Acquisition	BWC Refunds
Set-aside cash balance as of June 30, 2001	$(333,674)	$ -	$33,107
Current year set-aside requirement	132,445	132,445	-
Qualifying disbursements	(265,475)	(386,514)	-
Total	$(466,704)	$(254,069)	$33,107
Cash balance carried forward to FY 2003	$(466,704)	$ -	$33,107

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	$33,107
Total restricted assets	$33,107

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WEATHERSFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR *Pass-Through Grantor* Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		$26,250		$24,882
National School Breakfast Program	05-PU-2001	10.553	$3,023		$3,023	
	05-PU-2002		7,035		7,035	
Subtotal - National Breakfast Program			10,058		10,058	
National School Lunch Program	LL-P1-2001	10.555	9,327		9,327	
	LL-P4-2001		14,227		14,227	
	LL-P4-2002		59,658		59,658	
Subtotal - National School Lunch Program			83,212		83,212	
Total Department of Agriculture - Nutrition Cluster			**93,270**	**26,250**	**93,270**	**24,882**
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Grants to Local Educational Agencies	C1-S1-2001	84.010	47,026		28,488	
(ESEA Title I)	C1-S1-2002		92,189		68,543	
Subtotal - Grants to Local Educational Agencies			139,215		97,031	
Special Education Grants to States - Title VI-B	6B-SF-2001	84.027	36,782		26,639	
	6B-SF-2002		19,362		21,370	
Subtotal - Special Education to States			56,144		48,009	
Safe and Drug Free Schools	DR-S1-2001	84.186	0		398	
	DR-S1-2002		4,154		4,154	
Subtotal - Safe and Drug Free Schools			4,154.00		4,552.00	
Eisenhower Professional Development	MS-S1-2001	84.281	0		1,810	
State Grants	MS-S1-2002		5,228		4,383	
Subtotal - Eisenhower Professional Development State Grants			5,228		6,193	
Innovative Educational Program Strategies	C2-S1-2001	84.298	4,280		3,729	
	C2-S1-2002		1,588		205	
Subtotal - Innovative Educational Program Strategies			5,868		3,934	
Class Size Reduction	CR-S1-2001	84.340	0		2,428	
	CR-S1-2002		29,403		27,190	
Subtotal - Class Size Reduction			29,403		29,618	
Assistive Technology Infusion Project	AT-S1-2002	84.352A	3,810		3,810	
Total Department of Education			**243,822**		**193,147**	
UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES						
Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:						
Medicaid Cluster:						
Medical Assistance Program - Title XIX - Community Alternative Funding System	N/A	93.778	22,958		22,958	
Totals			**$360,050**	**$26,250**	**$309,375**	**$24,882**

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2002

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B — FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first.

NOTE C-- MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

Auditor of State
Betty Montgomery

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

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

We have audited the financial statements of the Weathersfield Local School District, Trumbull County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated April 30, 2003 wherein we noted the District is experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated April 30, 2003.

Internal Control Over Financial Reporting

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

April 30, 2003

Auditor of State
Betty Montgomery

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Weathersfield Local School District, Trumbull County, (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 are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

April 30, 2003

WEATHERSFIELD LOCAL SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WEATHERSFIELD LOCAL SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 27, 2003