

Western Local School District

Pike County

Single Audit

July 1, 2000 Through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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**STATE OF OHIO**  
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Members of the Board  
Western Local School District  
7959 State Route 124  
Latham, Ohio 45646

We have reviewed the Independent Auditor's Report of the Western Local School District, Pike County, prepared by Balestra & Company, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Western Local School District is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

December 13, 2001

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WESTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY

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# BALESTRA & COMPANY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditors' Report

Members of the Board

Western Local School District

7959 State Route 124

Latham, Ohio 45646

We have audited the accompanying general purpose financial statements of the Western Local School District, Pike County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Western Local School 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 general purpose 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 Western Local School District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2001, on our consideration of the Western Local School 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.

The accompanying schedule of federal awards expenditures is presented for purpose of 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

As described in Note 19 to the general purpose financial statements, the Western Local School District implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company

October 12, 2001

**WESTERN LOCAL SCHOOL DISTRICT**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><i>Assets and Other Debits:</i></b>				
<b><i>Assets:</i></b>				
Equity in Pooled Cash and Cash Equivalents	\$5,824,521	\$189,821	\$125,492	\$205,434
Receivables:				
Taxes	807,614	20,397	154,010	0
Accounts	26	0	0	0
Intergovernmental	0	37,285	0	0
Prepaid Items	22,180	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	18,490	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><i>Other Debits:</i></b>				
Amount Available in Debt Service Fund for Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$6,672,831</u></b>	<b><u>\$247,503</u></b>	<b><u>\$279,502</u></b>	<b><u>\$205,434</u></b>

See accompanying notes to the general purpose financial statements



<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$51,242	\$32,258	\$10,180	\$0	\$0	\$6,438,948
0	0	0	0	0	982,021
155	0	0	0	0	181
0	0	0	0	0	37,285
0	0	0	0	0	22,180
321	0	0	0	0	321
635	0	0	0	0	19,125
132,450	0	0	11,162,030	0	11,294,480
0	0	0	0	133,466	133,466
0	0	0	0	1,019,743	1,019,743
<u>\$184,803</u>	<u>\$32,258</u>	<u>\$10,180</u>	<u>\$11,162,030</u>	<u>\$1,153,209</u>	<u>\$19,947,750</u>

(continued)

**WESTERN LOCAL SCHOOL DISTRICT**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b><i>Liabilities,</i></b>				
<b><i>Fund Equity and Other Credits:</i></b>				
<b><i>Liabilities:</i></b>				
Accounts Payable	\$84,731	\$34,545	\$0	\$1,555
Contracts Payable	0	8,400	0	75,872
Accrued Wages and Benefits	343,873	90,985	0	0
Compensated Absences Payable	10,609	0	0	0
Intergovernmental Payable	78,840	15,159	0	0
Deferred Revenue	754,245	19,122	144,007	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b><i>Total Liabilities</i></b>	<b><u>1,272,298</u></b>	<b><u>168,211</u></b>	<b><u>144,007</u></b>	<b><u>77,427</u></b>
<b><i>Fund Equity and Other Credits:</i></b>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	197,716	27,175	0	71,003
Reserved for Inventory	18,490	0	0	0
Reserved for Property Taxes	40,870	997	7,975	0
Unreserved:				
Undesignated	5,143,457	51,120	127,520	57,004
<b><i>Total Fund Equity and Other Credits</i></b>	<b><u>5,400,533</u></b>	<b><u>79,292</u></b>	<b><u>135,495</u></b>	<b><u>128,007</u></b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b><u>\$6,672,831</u></b>	<b><u>\$247,503</u></b>	<b><u>\$279,502</u></b>	<b><u>\$205,434</u></b>

See accompanying notes to the general purpose financial statements

<i>PRORIETARY FUND TYPES</i>		<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
Enterprise	Internal Service	Agency	General Fixed Assets	General Long-Term Obligations	
\$725	\$0	\$0	\$0	\$0	\$121,556
0	0	0	0	0	84,272
16,166	0	0	0	0	451,024
5,383	0	0	0	257,321	273,313
9,754	0	0	0	35,888	139,641
3,310	0	0	0	0	920,684
0	0	10,180	0	0	10,180
0	4,512	0	0	0	4,512
0	0	0	0	860,000	860,000
<u>35,338</u>	<u>4,512</u>	<u>10,180</u>	<u>0</u>	<u>1,153,209</u>	<u>2,865,182</u>
0	0	0	11,162,030	0	11,162,030
148,333	0	0	0	0	148,333
1,132	27,746	0	0	0	28,878
0	0	0	0	0	295,894
0	0	0	0	0	18,490
0	0	0	0	0	49,842
0	0	0	0	0	5,379,101
<u>149,465</u>	<u>27,746</u>	<u>0</u>	<u>11,162,030</u>	<u>0</u>	<u>17,082,568</u>
<u>\$184,803</u>	<u>\$32,258</u>	<u>\$10,180</u>	<u>\$11,162,030</u>	<u>\$1,153,209</u>	<u>\$19,947,750</u>

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**WESTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>GOVERNMENTAL FUND TYPES</b>				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b><u>Revenues:</u></b>					
Property Taxes	\$510,515	\$12,048	\$89,478	\$0	\$612,041
Intergovernmental	4,356,676	1,019,905	6,233	324,041	5,706,855
Interest	395,196	0	0	5,157	400,353
Tuition and Fees	800	6,604	0	0	7,404
Rent	1,165	0	0	0	1,165
Extracurricular Activities	0	31,166	0	0	31,166
Gifts and Donations	345	2,600	0	0	2,945
Customer Services	16,332	0	0	0	16,332
Miscellaneous	35,880	4,395	0	0	40,275
<b>Total Revenues</b>	<b>5,316,909</b>	<b>1,076,718</b>	<b>95,711</b>	<b>329,198</b>	<b>6,818,536</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	1,885,949	463,517	0	45,732	2,395,198
Special	354,700	345,670	0	0	700,370
Vocational	64,441	0	0	0	64,441
Other	3,828	0	0	0	3,828
Support Services:					
Pupils	227,339	24,284	0	0	251,623
Instructional Staff	199,090	130,067	0	0	329,157
Board of Education	9,667	0	0	0	9,667
Administration	599,254	5,946	499	158,581	764,280
Fiscal	183,188	422	3,079	0	186,689
Operation and Maintenance of Plant	554,079	39,471	0	29,804	623,354
Pupil Transportation	515,867	34,682	0	0	550,549
Central	65,879	0	0	11,999	77,878
Operation of Non-Instructional Services					
Services	396	0	0	0	396
Extracurricular Activities	102,413	27,301	0	0	129,714
Capital Outlay	1,262	0	0	542,451	543,713
Debt Service:					
Principal Retirement	0	0	15,000	0	15,000
Interest and Fiscal Charges	0	0	51,422	0	51,422
Intergovernmental	0	59,149	0	0	59,149
<b>Total Expenditures</b>	<b>4,767,352</b>	<b>1,130,509</b>	<b>70,000</b>	<b>788,567</b>	<b>6,756,428</b>
Excess of Revenues Over (Under) Expenditures	549,557	(53,791)	25,711	(459,369)	62,108
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	5,006	0	0	0	5,006
Operating Transfers - In	7,008	35,500	0	200,000	242,508
Operating Transfers - Out	(315,185)	(7,008)	0	0	(322,193)
<b>Total Other Financing Sources (Uses)</b>	<b>(303,171)</b>	<b>28,492</b>	<b>0</b>	<b>200,000</b>	<b>(74,679)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	246,386	(25,299)	25,711	(259,369)	(12,571)
Fund Balances at Beginning of Year as Restated - (See Note 19)	5,153,423	104,591	109,784	387,376	5,755,174
Increase in Reserve for Inventory	724	0	0	0	724
<b>Fund Balances at End of Year</b>	<b>\$5,400,533</b>	<b>\$79,292</b>	<b>\$135,495</b>	<b>\$128,007</b>	<b>\$5,743,327</b>

See accompanying notes to the general purpose financial statements

**WESTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$495,391	\$495,391	\$0	\$11,954	\$11,954	\$0
Intergovernmental	4,357,526	4,357,526	0	1,066,714	1,066,714	0
Interest	395,196	395,196	0	0	0	0
Tuition and Fees	800	800	0	6,604	6,604	0
Rent	3,640	3,640	0	0	0	0
Extracurricular Activities	0	0	0	31,166	31,166	0
Gifts and Donations	345	345	0	2,600	2,600	0
Customer Services	16,332	16,332	0	0	0	0
Miscellaneous	2,079	2,079	0	4,395	4,395	0
<b>Total Revenues</b>	<b>5,271,309</b>	<b>5,271,309</b>	<b>0</b>	<b>1,123,433</b>	<b>1,123,433</b>	<b>0</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	1,923,048	1,923,048	0	466,261	466,261	0
Special	360,443	360,443	0	346,270	346,270	0
Vocational	66,631	66,631	0	0	0	0
Other	1,222	1,222	0	0	0	0
Support Services:						
Pupils	234,461	234,461	0	25,413	25,413	0
Instructional Staff	229,169	229,169	0	133,240	133,240	0
Board of Education	9,444	9,444	0	0	0	0
Administration	600,130	600,130	0	6,411	6,411	0
Fiscal	182,029	182,029	0	422	422	0
Operation and Maintenance of Plant	556,012	556,012	0	46,484	46,484	0
Pupil Transportation	627,283	627,283	0	34,682	34,682	0
Central	65,243	65,243	0	0	0	0
Operation of Non-Instructional Services						
Extracurricular Activities	97,216	97,216	0	32,198	32,198	0
Capital Outlay	1,262	1,262	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Intergovernmental	0	0	0	59,149	59,149	0
<b>Total Expenditures</b>	<b>4,953,989</b>	<b>4,953,989</b>	<b>0</b>	<b>1,150,530</b>	<b>1,150,530</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	317,320	317,320	0	(27,097)	(27,097)	0
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	5,006	5,006	0	0	0	0
Refund of Prior Year Expenditures	14,765	14,765	0	0	0	0
Advances - In	19,009	19,009	0	0	0	0
Operating Transfers - In	126,548	126,548	0	35,500	35,500	0
Operating Transfers - Out	(437,226)	(437,226)	0	(7,008)	(7,008)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(271,898)</b>	<b>(271,898)</b>	<b>0</b>	<b>28,492</b>	<b>28,492</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	45,422	45,422	0	1,395	1,395	0
Fund Balances at Beginning of Year	5,231,071	5,231,071	0	107,502	107,502	0
Prior Year Encumbrances Appropriated	265,335	265,335	0	10,949	10,949	0
<b>Fund Balances at End of Year</b>	<b>\$5,541,828</b>	<b>\$5,541,828</b>	<b>\$0</b>	<b>\$119,846</b>	<b>\$119,846</b>	<b>\$0</b>

See accompanying notes to the general purpose financial statements

<i>DEBT SERVICE FUND</i>			<i>CAPITAL PROJECTS FUNDS</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$87,266	\$87,266	\$0	\$0	\$0	\$0
6,233	6,233	0	324,041	324,041	0
0	0	0	5,157	5,157	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
93,499	93,499	0	329,198	329,198	0
0	0	0	51,812	51,812	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
499	499	0	158,581	158,581	0
3,079	3,079	0	0	0	0
0	0	0	29,805	29,805	0
0	0	0	0	0	0
0	0	0	11,999	11,999	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	541,834	541,834	0
15,000	15,000	0	0	0	0
51,423	51,423	0	0	0	0
0	0	0	0	0	0
70,001	70,001	0	794,031	794,031	0
23,498	23,498	0	(464,833)	(464,833)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	200,000	200,000	0
0	0	0	0	0	0
0	0	0	200,000	200,000	0
23,498	23,498	0	(264,833)	(264,833)	0
101,993	101,993	0	387,304	387,304	0
0	0	0	5,735	5,735	0
\$125,491	\$125,491	\$0	\$128,206	\$128,206	\$0

**WESTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><u>Operating Revenues:</u></b>			
Sales	\$80,147	\$0	\$80,147
Charges for Services	0	40,137	40,137
<i>Total Operating Revenues</i>	<u>80,147</u>	<u>40,137</u>	<u>120,284</u>
<b><u>Operating Expenses:</u></b>			
Salaries	140,515	0	140,515
Fringe Benefits	59,760	0	59,760
Purchased Services	13,465	4,601	18,066
Materials and Supplies	19,985	0	19,985
Cost of Sales	130,214	0	130,214
Depreciation	4,212	0	4,212
Claims	0	35,136	35,136
Other Operating Expenses	407	0	407
<i>Total Operating Expenses</i>	<u>368,558</u>	<u>39,737</u>	<u>408,295</u>
Operating Gain/(Loss)	<u>(288,411)</u>	<u>400</u>	<u>(288,011)</u>
<b><u>Non-Operating Revenues (Expenses):</u></b>			
Federal Donated Commodities	28,327	0	28,327
Interest Income	43	0	43
Federal and State Subsidies	207,495	0	207,495
Loss on Disposal of Fixed Assets	(7,369)	0	(7,369)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>228,496</u>	<u>0</u>	<u>228,496</u>
Net Income/(Loss) Before Operating Transfers	(59,915)	400	(59,515)
Operating Transfers In	79,685	0	79,685
Net Income/(Loss)	19,770	400	20,170
Retained Earnings (deficit) at Beginning of Year	(18,638)	27,346	8,708
Retained Earnings (deficit) at End of Year	1,132	27,746	28,878
Contributed Capital at Beginning and End of Year	148,333	0	148,333
Total Fund Equity at End of Year	<u>\$149,465</u>	<u>\$27,746</u>	<u>\$177,211</u>

See accompanying notes to the general purpose financial statements



**WESTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenses and Changes in  
 Fund Equity - Budget and Actual (Budget Basis)  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2001

	<b>ENTERPRISE FUND</b>			<b>INTERNAL SERVICE FUND</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>						
Sales	\$79,992	\$79,992	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	40,137	40,137	0
Interest	43	43	0	0	0	0
Federal and State Subsidies	207,495	207,495	0	0	0	0
<i>Total Revenues</i>	<u>287,530</u>	<u>287,530</u>	<u>0</u>	<u>40,137</u>	<u>40,137</u>	<u>0</u>
<b><i>Expenses:</i></b>						
Salaries	144,325	144,325	0	0	0	0
Fringe Benefits	61,087	61,087	0	0	0	0
Purchased Services	13,289	13,289	0	41,659	41,659	0
Materials and Supplies	124,239	124,239	0	0	0	0
Capital Outlay	6,760	6,760	0	0	0	0
Other	407	407	0	0	0	0
<i>Total Expenses</i>	<u>350,107</u>	<u>350,107</u>	<u>0</u>	<u>41,659</u>	<u>41,659</u>	<u>0</u>
Excess of Revenues Over (Under) Expenses	(62,577)	(62,577)	0	(1,522)	(1,522)	0
Operating Transfers In	79,685	79,685	0	0	0	0
Excess of Revenues Over (Under) Expenses and Operating Transfers	17,108	17,108	0	(1,522)	(1,522)	0
Fund Equity at Beginning of Year	20,620	20,620	0	33,780	33,780	0
Prior Year Encumbrances Appropriated	9,943	9,943	0	0	0	0
Fund Equity at End of Year	<u>\$47,671</u>	<u>\$47,671</u>	<u>\$0</u>	<u>\$32,258</u>	<u>\$32,258</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

**WESTERN LOCAL SCHOOL DISTRICT**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types  
 For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Totals (Memorandum Only)
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>			
<b><u>Cash Flows from Operating Activities:</u></b>			
Cash Received from Customers	\$79,992	\$0	\$79,992
Cash Received from Quasi-External Transactions with Other Funds	0	40,137	40,137
Cash Payments to Suppliers for Goods and Services	(136,079)	0	(136,079)
Cash Payments to Employees for Services	(144,325)	0	(144,325)
Cash Payments for Employee Benefits	(61,087)	0	(61,087)
Cash Payments for Claims	0	(41,659)	(41,659)
Net Cash Used for Operating Activities	(261,499)	(1,522)	(263,021)
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Operating Grants Received	207,496	0	207,496
Operating Transfers In	79,685	0	79,685
Net Cash Provided by Noncapital Financing Activities	287,181	0	287,181
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Payments for Capital Acquisitions	(5,048)	0	(5,048)
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest	43	0	43
Net Increase (Decrease) in Cash and Cash Equivalents	20,677	(1,522)	19,155
Cash and Cash Equivalents at Beginning of Year	30,565	33,780	64,345
Cash and Cash Equivalents at End of Year	\$51,242	\$32,258	\$83,500
<b><u>Reconciliation of Operating Gain/(Loss) to Net Cash Used for Operating Activities:</u></b>			
Operating Gain/(Loss)	(\$288,411)	\$400	(\$288,011)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>			
Depreciation	4,212	0	4,212
Donated Commodities Used During Year	28,327	0	28,327
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(155)	0	(155)
Increase in Inventory Held for Resale	(375)	0	(375)
Increase in Accounts Payable	40	0	40
Decrease in Accrued Wages and Benefits	(1,934)	0	(1,934)
Decrease in Compensated Absences Payable	(2,226)	0	(2,226)
Decrease in Intergovernmental Payable	(977)	0	(977)
Decrease in Claims Payable	0	(1,922)	(1,922)
Total Adjustments	26,912	(1,922)	24,990
Net Cash Used for Operating Activities	(\$261,499)	(\$1,522)	(\$263,021)

See accompanying notes to the general purpose financial statements

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Western Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1934 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 87 square miles. It is located in Pike County and includes Benton, Mifflin, Pebble, Perry, and Sunfish Townships. The School District is the 521<sup>st</sup> largest in the State of Ohio (among 611 school districts). It is staffed by 42 non-certificated employees and 69 certificated full-time teaching personnel and 5 administrative employees who provide services to 927 students and other community members.

*Reporting Entity:*

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

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

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- < Village of Latham
- < Parent Teacher Organization
- < Ross - Pike County Educational Service Center

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, Pike County Joint Vocational School, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

The financial statements of the Western Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Governmental Fund Types:*

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

The following are the School District's governmental fund types:

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

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

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

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

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*Proprietary Fund Types:*

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

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

*Internal Service Fund* - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Type:*

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

*Account Groups:*

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

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

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

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

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

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

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**Revenues-Exchange and Non-exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**C. Budgetary Process**

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

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, advances-in and advances-out do not equal on a budgetary basis due to a repayment of an advance of \$19,009 from the Spanish Club Fund to the General Fund. Also, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$2,501 from the General Fund to the Yearbook Agency Fund.

*Tax Budget:*

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

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

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. Prior to year-end, the School District passed a supplemental appropriation that reflected actual expenditures and encumbrances for the fiscal year.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2001, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$395,196. The capital projects funds and enterprise funds also received interest revenue of \$5,157 and \$43, respectively.

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food and purchased food held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.



Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**G. Fixed Assets and Depreciation**

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

The 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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 5 years for land improvements, 20 years for building improvements, 6 to 15 years for furniture, equipment, and fixtures, 5 to 10 years for vehicles, and 50 years for infrastructure, consisting of a sewer plant and sewer lines. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of 15 years.

**H. Intergovernmental Revenues**

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

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

*Entitlements*

*General Fund*

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

*Non-Reimbursable Grants*

*Special Revenue Funds*

- Public School Preschool
- Title I
- Innovative Education Program Strategy
- Title VI
- Title VI-B
- Goals 2000
- Drug-Free Schools
- Education Management Information Systems
- Extended Learning Opportunity
- Local Professional Development Block Grant
- Ohio Reads Volunteer
- School Net Professional Development
- Safe School Helpline
- Summer School
- Family Stability Incentive
- Eisenhower Grant
- Venture Capital Grant
- Disadvantaged Pupil Impact Aid

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

*Capital Projects Funds*  
Classroom Facilities Program  
Technology Equity  
School Net  
School Net Plus  
*Reimbursable Grants*  
*General Fund*  
Driver Education  
*Special Revenue Fund*  
E-Rate  
*Proprietary Funds*  
National School Lunch Program  
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 83 percent of governmental fund revenue during the 2001 fiscal year.

**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 School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

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

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

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

**K. Interfund Transactions**

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

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

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

**M. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated.

**N. Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (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 cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2001, the Disadvantaged Pupil Impact Aid, Ohio Reads Volunteer, and Schoolnet Professional Development Funds had deficit fund balances of \$49,027, \$11, and \$17, respectively which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$246,386	(\$25,299)	\$25,711	(\$259,369)
Revenue Accruals	88,705	46,715	(2,212)	0
Expenditure Accruals	(25,979)	49,953	(1)	71,762
Advances	19,009	0	0	0
Encumbrances	(282,699)	(69,974)	0	(77,226)
Budget Basis	\$45,422	\$1,395	\$23,498	(\$264,833)

Net Income / Excess of Revenues Over Expenses  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$19,770	\$400
Revenue Accruals	(28,482)	0
Expense Accruals	29,388	(1,922)
Encumbrances	(3,568)	0
Budget Basis	\$17,108	(\$1,522)

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$36,741 and the bank balance was \$207,501. Of the bank balance, \$100,000 was covered by federal depository insurance and \$107,501 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name, and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAR Ohio	\$6,402,207

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and 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 classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$6,438,948	\$0
Investment:		
STAR Ohio	(6,402,207)	6,402,207
<i>GASB Statement No. 3</i>	\$36,741	\$6,402,207

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$23,752,470	84.61%	\$23,894,710	84.76%
Public Utility	3,057,250	10.89%	2,942,550	10.44%
Tangible Personal Property	1,263,487	4.50%	1,355,178	4.80%
Total Assessed Value	<u>\$28,073,207</u>	<u>100.00%</u>	<u>\$28,192,438</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.15		\$33.15	

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$40,870 in the General Fund, \$997 in the Classroom Maintenance Special Revenue Fund, and \$7,975 in the Debt Service Fund.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, classroom rentals and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Special Revenue Funds:	
Eisenhower	\$599
Title I	32,728
Title VI-R	3,958
Total Special Revenue Funds	37,285
Total Intergovernmental Revenues	\$37,285

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$267,129
Less Accumulated Depreciation	(134,679)
Net Fixed Assets	\$132,450

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Deletions	Balance at 6/30/01
Land and Improvements	\$1,144,808	\$0	\$0	\$1,144,808
Buildings and Improvements	10,870,332	0	0	10,870,332
Furniture, Fixtures and Equipment	2,318,297	110,468	25,906	2,402,859
Vehicles	826,141	109,580	74,891	860,830
Books	465,568	0	0	465,568
Construction in Progress	0	482,579	0	482,579
Infrastructure	102,376	0	0	102,376
Totals	\$15,727,522	\$702,627	\$100,797	16,329,352
Less Accumulated Depreciation				(5,167,322)
Total General Fixed Assets				\$11,162,030



Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage. Lorbach Insurance Agency provides public official bonds. Coverages provided at June 30, 2001 are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$25,778,600
Inland Marine Coverage (\$100 deductible)	24,532
Boiler and Machinery (\$1,000 deductible)	10,905,900
Automobile Liability (\$100 deductible)	1,000,000
Uninsured Motorists (\$250 deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Public Official Bonds	
Treasurer	20,000
Superintendent/Board President (each)	20,000
Blanket (all others)	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

For fiscal year 2001, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each 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 contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the District of claim payments needed each week. Dominguez Consulting provides an actuarial study each year and advises the District as to any change needed in premium payments to the internal service fund. The claims liability of \$4,512 reported in the internal service fund at June 30, 2001 is based on an estimate provided by Coresource and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past three fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$9,110	\$33,409	\$37,256	\$5,263
2000	5,263	45,212	\$44,041	\$6,434
2001	6,434	35,136	37,058	4,512

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634, or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$116,124, \$109,156, and \$113,896, respectively, which were equal to the required contributions.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$386,208, \$241,735, and \$257,428, respectively, which were equal to the required contributions.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$121,874 for fiscal year 2001.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.45 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 2000, the minimum pay was 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$26,438.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**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. Vacation days are credited to these employees on the anniversary of their employment and should be used within the next twelve months. Vacation may be accumulated up to a maximum of 59 days (60 days for the superintendent and treasurer). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days.

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Metropolitan Life Insurance Company. The School District has elected to provide employee medical/surgical benefits, vision and prescription drug benefits through United Health Care of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
1995 School Improvement General Obligation Bonds - 4.05% to 6.35%	\$875,000	\$0	\$15,000	\$860,000
Pension Obligation	43,569	35,888	43,569	35,888
Compensated Absences	274,284	0	16,963	257,321
<b>Total General Long-Term Obligations</b>	<b>\$1,192,853</b>	<b>\$35,888</b>	<b>\$75,532</b>	<b>\$1,153,209</b>

The 1995 School Improvement bonds were issued in the amount of \$920,000 in November, 1995 as a result of the School District being approved for a \$6,847,433 school facilities loan through the State Department of Education for the construction of a junior/senior high school building. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.15 mill levy. The 4.15 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.65 mills to be used for the retirement of the 1995 bond issue, will be in effect for twenty-three years.

On October 7, 1997, Western Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$6,847,433 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 608 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$1,795,785 with an unvoted debt margin of \$28,192 at June 30, 2001.

Principal and interest requirements to retire general obligation debt at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$20,000	\$50,620	\$70,620
2003	20,000	49,680	69,680
2004	25,000	48,599	73,599
2005	30,000	47,250	77,250
2006-2009	145,000	171,431	316,431
2010-2014	280,000	155,430	435,430
2015-2018	265,000	45,403	385,403
<b>Total</b>	<b>\$860,000</b>	<b>\$568,413</b>	<b>\$1,428,413</b>

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$3,728 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*The Pike County Joint Vocational School* - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**NOTE 15 - INSURANCE PURCHASING POOL**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 16 - SCHOOL FUNDING COURT DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- , A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- , Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

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**NOTE 16 - SCHOOL FUNDING COURT DECISION** (continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of October 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 27, 2001 asked the Court to reconsider and clarify the parts of the decision changing the school district that are used as the basis for determining the base cost support amount and that requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Senate Bill 345 eliminated the Budget Stabilization Reserve. A School District may still establish reserve balance accounts consistent with Section 5705.13 R.C., if it so chooses; however, the requirement is no longer mandatory. According to Senate Bill 345, any money on hand in a school district's budget reserve set aside as of April 10, 2001, may at the discretion of the board be returned to the district's general fund or may be left in the account and used by the board to offset any budget deficit the district may experience in future fiscal years. The statute also authorized the school district to use all or part of the funds formerly included in the budget reserve for the purpose of providing the district's portion of the basic project costs of any project undertaken in accordance with Chapter 3318, R.C., Classroom Facilities.

Senate Bill 345 places special conditions on any Bureau of Workers' Compensation (BWC) monies remaining in the budget reserve set aside as of April 10, 2001. Any portion of the budget reserve set-aside consisting of refunds or rebates from BWC that were previously required by law to be deposited into the budget reserve may be used solely for the following purposes:

- , To offset a budget deficit
- , For school facility construction, renovation or repair;
- , For textbooks or instructional materials, including science equipment or laboratories;
- , For the purchase of school buses; or
- , For professional development of teachers.

BWC refunds or rebates received after April 10, 2001 are not required to be deposited into the school district's budget reserve.

The School District has eliminated the Budget Stabilization Reserve and returned it to the General Fund. The Workers' Compensation rebate of \$27,167 received prior to April 10, 2001 will be used for one or more of the listed purposes. The balance of the Budget Stabilization Reserve which does not represent BWC rebates will be used at the discretion of the School District.

Western Local School District  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001

**NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

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

	Textbooks	Capital Acquisitio n	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 2000	\$0	\$0	\$86,541	\$86,541
Current year set-aside requirement	89,585	89,585	0	179,170
Current year offsets and Pr. Yr. Carry Over	(44,184)	(109,116)	0	(153,300)
Qualifying disbursements	(111,297)	(88,809)	0	(200,106)
Reduction in Budget Stabilization based upon Statutory Revisions	0	0	(86,541)	(86,541)
Amount Carried Forward to FY 2002	(\$65,896)	(\$108,340)	\$0	(174,236)
Reserve Balance as of June 30, 2001	\$0	\$0	\$0	\$0

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves, these extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**B. Litigation**

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

**NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

*Changes in Accounting Principles* For fiscal year 2001, the School District has implemented GASB Statement Number 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. The implementation of GASB Statements No. 33 and 36 resulted in the Special Revenue Fund balance adjustment of a \$14,000 increase due to a revenue being classified as an Intergovernmental Receivable.

	Special Revenue
Fund Balance at June 30, 2000	\$ 90,591
Implementation of GASB 33	14,000
Adjusted Fund Balance at July 1, 2001	\$104,591

Western Local School District  
Pike County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	NA	10.550	\$0	\$34,856	\$0	\$31,591
National School Breakfast Program	05-PU	10.553	48,222	0	48,222	0
National School Lunch Program	04-PU	10.555	144,818	0	144,818	0
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			193,040	34,856	193,040	31,591
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Title VI-B	6B-SF	84.027	82,173	0	79,358	0
<b>Total Special Education Cluster</b>			82,173	0	79,358	0
Title 1	C1-S1	84.010	364,650	0	344,984	0
Drug Free Education	DR-S1	84.186	3,878	0	4,090	0
Goals 2000	G2-SU	84.276	27,000	0	11,812	0
Eisenhower Professional Development	MS-S1	84.281	5,391	0	7,003	0
Inovative Education Program Strategy	C2-S1	84.298	4,628	0	4,628	0
Class Size Reduction	CR-S1	84.340	36,914	0	37,900	0
<b>Total United States Department of Education</b>			524,634	0	489,775	0
<b>Total Federal Financial Assistance</b>			<u>\$717,674</u>	<u>\$34,856</u>	<u>\$682,815</u>	<u>\$31,591</u>

N/A = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Expenditures.



Western Local School District  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2001

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**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 DISTRIBUTIONS**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board  
Western Local School District  
7959 State Route 124  
Latham, Ohio 45646

We have audited the financial statements of the Western Local School District (the District), Pike County, as of and for the year ended June 30, 2001, in which we indicated the District had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated October 12, 2001. 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 and 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*.

### **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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Balestra & Company

October 12, 2001

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board  
Western Local School District  
7959 State Route 124  
Latham, Ohio 45646

### **Compliance**

We have audited the compliance of the Western Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Western Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. 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, Western Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

### **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.

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

Balestra & Company  
October 12, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

WESTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY  
JUNE 30, 2001

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 noncompliance 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 Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I; CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

WESTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY  
JUNE 30, 2001

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

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

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**WESTERN LOCAL SCHOOL DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 27, 2001**