

**West Branch Local School District
Mahoning County, Ohio**

Audited Financial Statements

June 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
West Branch Local School District
14277 Main Street
Beloit, Ohio 44609

We have reviewed the *Independent Auditor's Report* of the West Branch Local School District, Mahoning County, prepared by Rea & Associates, Inc. for the audit period July 1, 2006 through June 30, 2007. 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 West Branch Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 31, 2008

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**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

JUNE 30, 2007

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**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

JUNE 30, 2007

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

February 27, 2008

To the Board of Education
West Branch Local School District
Beloit, OH 44609

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Branch Local School District (the "School District"), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated February 27, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

West Branch Local School District
Independent Auditor's Report
February 27, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The management's discussion and analysis of the West Branch Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$484,820 which represents a 1.11% decrease from 2006.
- General revenues accounted for \$17,131,821 in revenue or 78.75% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$4,622,573 or 21.25% of total revenues of \$21,754,394.
- The District had \$22,228,714 in expenses related to governmental activities; \$4,622,573 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,131,821 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$18,004,380 in revenues and other financing sources and \$18,165,213 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance decreased \$160,833 from \$1,454,478 to \$1,293,645.
- The bond retirement fund had \$7,613,410 in revenues and other financing sources and \$7,418,822 in expenditures and other financing uses. During fiscal 2007, the bond retirement fund's fund balance increased \$194,588 from \$444,014 to \$638,602.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and bond retirement fund.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 11,442,507	\$ 10,717,989
Capital assets, net	<u>47,686,609</u>	<u>49,129,649</u>
Total assets	<u>59,129,116</u>	<u>59,847,638</u>
<u>Liabilities</u>		
Current liabilities	7,341,151	7,129,824
Long-term liabilities	<u>8,646,310</u>	<u>9,091,339</u>
Total liabilities	<u>15,987,461</u>	<u>16,221,163</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	40,312,780	41,439,650
Restricted	1,941,614	1,677,797
Unrestricted	<u>887,261</u>	<u>509,028</u>
Total net assets	<u>\$ 43,141,655</u>	<u>\$ 43,626,475</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$43,141,655.

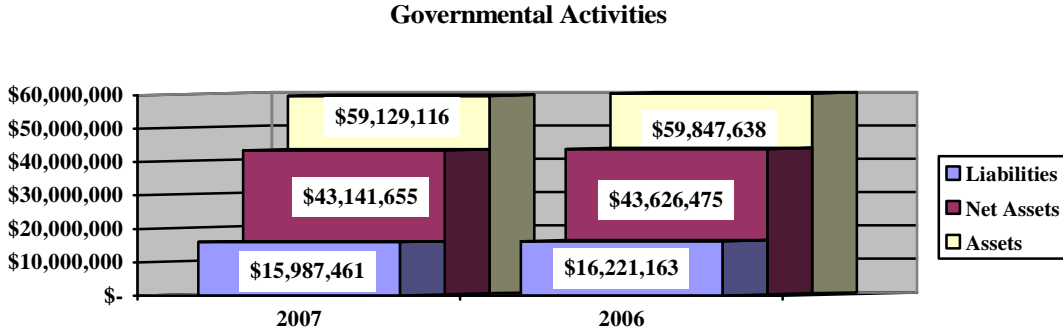
At year-end, capital assets represented 80.65% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, textbooks and library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$40,312,780. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

A portion of the District's net assets, \$1,941,614, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$887,261 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's governmental activities assets, liabilities and net assets for fiscal year 2007 and 2006.



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,354,711	\$ 1,984,937
Operating grants and contributions	2,094,741	2,023,053
Capital grants and contributions	173,121	1,012,947
General revenues:		
Property taxes	4,909,911	4,769,794
Grants and entitlements	11,887,961	11,337,036
Investment earnings	279,711	205,362
Other	<u>54,238</u>	<u>71,935</u>
Total revenues	<u>21,754,394</u>	<u>21,405,064</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,335,747	\$ 10,150,151
Special	2,011,413	1,876,050
Vocational	499,836	440,608
Other	125,174	77,578
Support services:		
Pupil	765,422	789,213
Instructional staff	961,227	731,381
Board of education	38,630	39,688
Administration	1,586,470	1,574,826
Fiscal	412,059	409,202
Operations and maintenance	2,035,478	1,985,122
Pupil transportation	1,480,962	1,555,628
Central	193,772	101,985
Operations of non-instructional services:		
Food service operations	773,890	842,153
Other non-instructional services	58,750	100,622
Extracurricular activities	662,420	631,148
Interest and fiscal charges	<u>287,464</u>	<u>408,097</u>
Total expenses	22,228,714	21,713,452
Special item loss on sale of capital assets	<u>(10,500)</u>	<u>(5,401)</u>
Change in net assets	(484,820)	(313,789)
Net assets at beginning of year	<u>43,626,475</u>	<u>43,940,264</u>
Net assets at end of year	<u>\$ 43,141,655</u>	<u>\$ 43,626,475</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$484,820. Total governmental expenses of \$22,228,714 were offset by program revenues of \$4,622,573 and general revenues of \$17,131,821. Program revenues supported 20.80% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 77.22% of total governmental revenue. Real estate property is reappraised every six years.

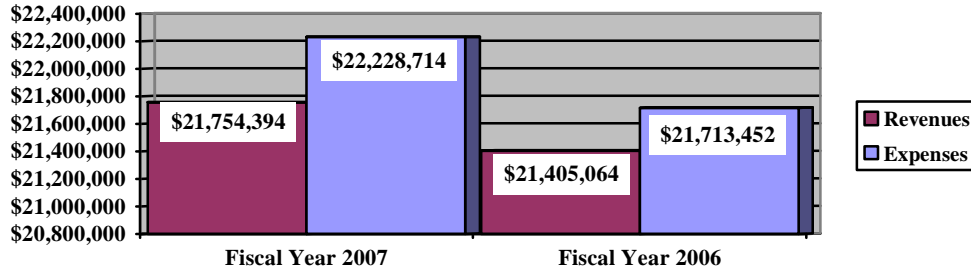
The District is located in Mahoning, Columbiana and Portage Counties and as a result is continually in a sexennial or triennial update. With the increase in property valuation, the District is now operating at the 20 mill floor which is the state minimum required property tax funding for a school district's operations. Due to this, the District is able to receive the full advantage of property tax valuation increases.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

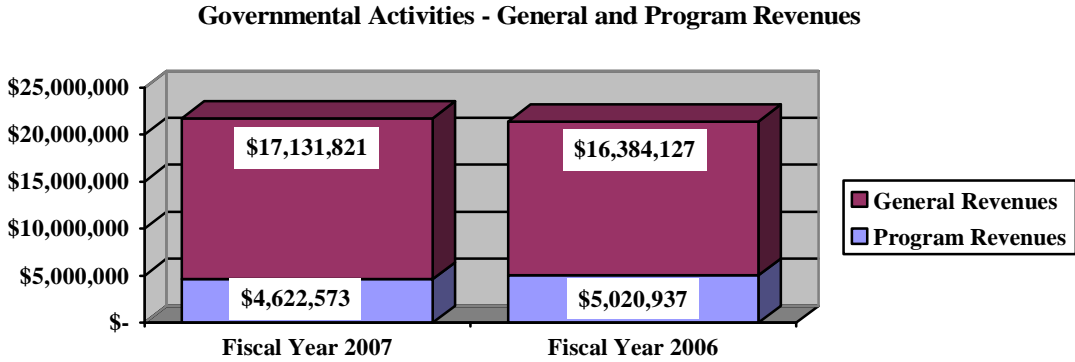
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 10,335,747	\$ 8,873,593	\$ 10,150,151	\$ 7,860,475
Special	2,011,413	787,212	1,876,050	610,415
Vocational	499,836	399,887	440,608	357,876
Other	125,174	116,633	77,578	77,578
Support services:				
Pupil	765,422	742,419	789,213	773,205
Instructional staff	961,227	761,983	731,381	547,347
Board of education	38,630	38,630	39,688	39,688
Administration	1,586,470	1,415,781	1,574,826	1,451,441
Fiscal	412,059	412,059	409,202	409,202
Operations and maintenance	2,035,478	2,034,976	1,985,122	1,983,472
Pupil transportation	1,480,962	1,364,196	1,555,628	1,555,628
Central	193,772	58,618	101,985	86,985
Operations of non-instructional services:				
Food service operations	773,890	(39,505)	842,153	(12,106)
Other non-instructional services	58,750	47,508	100,622	91,009
Extracurricular activities	662,420	304,687	631,148	452,203
Interest and fiscal charges	287,464	287,464	408,097	408,097
Total expenses	<u>\$ 22,228,714</u>	<u>\$ 17,606,141</u>	<u>\$ 21,713,452</u>	<u>\$ 16,692,515</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 75.72% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.07%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,262,653, which is greater than last year's total of \$3,134,259. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>
General	\$ 1,293,645	\$ 1,454,478	\$ (160,833)
Bond Retirement	638,602	444,014	194,588
Other Governmental	<u>1,330,406</u>	<u>1,235,767</u>	<u>94,639</u>
Total	<u>\$ 3,262,653</u>	<u>\$ 3,134,259</u>	<u>\$ 128,394</u>

General Fund

The District's general fund balance decreased \$160,833. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,983,022	\$ 4,028,960	\$ (45,938)	(1.14) %
Tuition	1,281,258	1,059,717	221,541	20.91 %
Earnings on investments	255,942	165,028	90,914	55.09 %
Intergovernmental	12,211,635	11,911,445	300,190	2.52 %
Other revenues	<u>219,044</u>	<u>113,873</u>	<u>105,171</u>	92.36 %
Total	<u>\$ 17,950,901</u>	<u>\$17,279,023</u>	<u>\$ 671,878</u>	3.89 %
<u>Expenditures</u>				
Instruction	\$ 10,742,274	\$10,109,652	\$ 632,622	6.26 %
Support services	6,996,237	6,348,836	647,401	10.20 %
Operation of non-instructional services	40,862	54,188	(13,326)	(24.59) %
Extracurricular activities	351,265	334,707	16,558	4.95 %
Facilities acquisition and construction	<u>4,575</u>	<u>-</u>	<u>4,575</u>	100.00 %
Total	<u>\$ 18,135,213</u>	<u>\$16,847,383</u>	<u>\$ 1,287,830</u>	7.64 %

Tax revenue decreased in fiscal year 2007 due to House Bill 66. This Bill eliminates the tax on tangible personal property over several years. The increase in intergovernmental revenues can also be attributed to House Bill 66 as it provides for a reimbursement from the State for the lost tangible personal property tax revenue. The increase in tuition is due to increased open enrollment payments made to the District. Earnings on investments increased due to the District having more funds available to invest and increasing interest rates during the fiscal year. Other revenues increased primarily due to charges received from District employees who are enrolled in the District's health reimbursement plan. Instruction and support expenditures increased mainly due to increased wage and benefit costs during the fiscal year. Support expenditures also increased due to increasing maintenance expenditures for the District's facilities and increasing fuel costs for pupil transportation.

Bond Retirement

During fiscal year 2007, the District's bond retirement fund balance increased \$194,588. This increase is due to tax revenue being greater than debt service expenditures. The bond retirement fund had \$7,613,410 in revenues and other financing sources and \$7,418,822 in expenditures and other financing uses.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2007, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$18,146,143 which was increased from the original budgeted revenues estimate of \$17,421,783. Actual revenues and other financing sources for fiscal 2007 was \$18,209,467. This represents a \$63,324 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,056,504 were increased to \$18,456,140 in the final budget. Actual expenditures plus other financing uses for fiscal year 2007 were \$18,298,437, which is less than the final budgeted amount by \$157,703.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$47,686,609 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 643,930	\$ 679,430
Land improvements	2,397,459	2,558,246
Building and improvements	42,923,389	44,035,558
Furniture and equipment	923,308	1,007,806
Vehicles	310,214	297,148
Textbooks and library books	412,583	551,461
Construction in progress	<u>75,726</u>	<u>-</u>
Total	<u>\$ 47,686,609</u>	<u>\$ 49,129,649</u>

Total additions to capital assets for 2007 were \$626,255 and total disposals were \$35,500 (net of accumulated depreciation). The District had \$2,033,795 in depreciation expense for the 2007 fiscal year.

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

Debt Administration

At June 30, 2007, the District had \$7,595,553 in general obligation bonds outstanding. Of this total, \$460,000 is due within one year and \$7,135,553 is due in greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental	Governmental
	Activities	Activities
	<u>2007</u>	<u>2006</u>
General obligation bonds:		
School improvement bonds - Series 2001	\$ 1,237,659	\$ 7,863,112
Refunding bonds - Series 2007	<u>6,357,894</u>	<u>-</u>
Total	<u>\$ 7,595,553</u>	<u>\$ 7,863,112</u>

At June 30, 2007, the District's legal voted debt margin was \$12,460,735 with an unvoted debt margin of \$213,246.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. However, the future financial stability of the District is not without challenges.

The first challenge, with only modest growth in the District and reduced State funding, is the reliance on the cash balance. There will have to be cuts in operating expenditures to make up this shortfall or ask for dramatically more money to operate. The State recognizes the low level of millage in the District and provides Charge-Off Supplement (Gap) aid. Additional millage would have to first compensate for approximately 3.3 mills of Charge-Off Supplement before additional operating dollars are realized.

The next challenge facing the District is the rapid decline in enrollment over the past several years especially if these declines continue. Although fiscal year 2007 saw a small increase in enrollment, maintaining this will be difficult. Even attempting to bring in open enrollment students will not make up the difference. These declines are impacting our State funding as the District receives funding based on enrollment. The enrollment declines are a threat to our operation as we know it today.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. At this time, the 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.

In conclusion, the District has committed itself to financial excellence for many years. Audited annual financial reports are filed as required by law and no findings, citations, items for adjustment, or material weaknesses in internal controls were noted as a part of these audits. The District continues a program to improve the quality of its fiscal management by taking a proactive approach to cash management, not only to maximize funds, but also to achieve optimal income on cash balances. All this having been said, meeting the needs of natural budget cycles will be our greatest challenge.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Karen Elsner, Treasurer, West Branch Local School District, 14277 Main Street, Beloit, Ohio 44609.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 5,639,241
Receivables:	
Taxes	5,459,784
Accounts	83,003
Intergovernmental	98,313
Accrued interest	7
Prepayments	20,172
Materials and supplies inventory	29,982
Unamortized bond issue costs	112,005
Capital assets:	
Land	643,930
Construction in progress.	75,726
Depreciable capital assets, net.	46,966,953
Capital assets, net	47,686,609
 Total assets.	 59,129,116
 Liabilities:	
Accounts payable.	42,079
Contracts payable.	59,963
Accrued wages and benefits	1,946,675
Matured compensated absences payable.	16,506
Pension obligation payable.	403,606
Intergovernmental payable	134,390
Accrued interest payable	22,577
Unearned revenue.	4,715,355
Long-term liabilities:	
Due within one year.	524,170
Due in more than one year	8,122,140
Total liabilities	15,987,461
 Net Assets:	
Invested in capital assets, net of related debt.	40,312,780
Restricted for:	
Capital projects	575,559
Debt service.	704,493
Classroom facilities maintenance	312,328
Locally funded programs	84,845
State funded programs.	18,400
Student activities	59,584
Other purposes	186,405
Unrestricted.	887,261
Total net assets	\$ 43,141,655

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 10,335,747	\$ 1,360,976	\$ 101,178	\$ -	\$ (8,873,593)
Special	2,011,413	-	1,224,201	-	(787,212)
Vocational	499,836	-	99,949	-	(399,887)
Other	125,174	-	8,541	-	(116,633)
Support services:					
Pupil	765,422	-	23,003	-	(742,419)
Instructional staff	961,227	474	198,770	-	(761,983)
Board of education	38,630	-	-	-	(38,630)
Administration	1,586,470	162,568	8,121	-	(1,415,781)
Fiscal	412,059	-	-	-	(412,059)
Operations and maintenance	2,035,478	502	-	-	(2,034,976)
Pupil transportation	1,480,962	-	88,453	28,313	(1,364,196)
Central	193,772	120,154	15,000	-	(58,618)
Operation of non-instructional services:					
Food service operations	773,890	501,564	311,831	-	39,505
Other non-instructional services	58,750	1,007	10,235	-	(47,508)
Extracurricular activities	662,420	207,466	5,459	144,808	(304,687)
Interest and fiscal charges	287,464	-	-	-	(287,464)
Total governmental activities	<u>\$ 22,228,714</u>	<u>\$ 2,354,711</u>	<u>\$ 2,094,741</u>	<u>\$ 173,121</u>	<u>(17,606,141)</u>
General Revenues:					
Property taxes levied for:					
General purposes					4,131,923
Special revenue					80,819
Debt service					697,169
Grants and entitlements not restricted to specific programs					
Investment earnings					11,887,961
Miscellaneous					279,711
					54,238
Total general revenues					<u>17,131,821</u>
Special item:					
Loss on sale of capital assets					(10,500)
Total general revenues and special item					<u>17,121,321</u>
Change in net assets					(484,820)
Net assets at beginning of year					<u>43,626,475</u>
Net assets at end of year					<u>\$ 43,141,655</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 3,509,484	\$ 625,314	\$ 1,476,130	\$ 5,610,928
Receivables:				
Taxes	4,603,305	765,311	91,168	5,459,784
Accounts	79,638	-	3,365	83,003
Intergovernmental	-	-	98,313	98,313
Accrued interest	7	-	-	7
Prepayments	20,172	-	-	20,172
Materials and supplies inventory	-	-	29,982	29,982
Restricted assets:				
Equity in pooled cash and cash equivalents	28,313	-	-	28,313
Total assets	<u>\$ 8,240,919</u>	<u>\$ 1,390,625</u>	<u>\$ 1,698,958</u>	<u>\$ 11,330,502</u>
Liabilities:				
Accounts payable	\$ 33,811	\$ -	\$ 8,268	\$ 42,079
Contracts payable	-	-	59,963	59,963
Accrued wages and benefits	1,806,464	-	140,211	1,946,675
Matured compensated absences payable	16,506	-	-	16,506
Pension obligation payable	367,139	-	36,467	403,606
Intergovernmental payable	125,720	136	8,534	134,390
Deferred revenue	627,223	88,468	33,584	749,275
Unearned revenue	3,970,411	663,419	81,525	4,715,355
Total liabilities	<u>6,947,274</u>	<u>752,023</u>	<u>368,552</u>	<u>8,067,849</u>
Fund Balances:				
Reserved for encumbrances	86,590	-	139,248	225,838
Reserved for materials and supplies inventory	-	-	29,982	29,982
Reserved for prepayments	20,172	-	-	20,172
Reserved for property tax unavailable for appropriation	67,684	11,676	1,369	80,729
Reserved for school bus purchases	28,313	-	-	28,313
Unreserved, undesignated, reported in:				
General fund	1,090,886	-	-	1,090,886
Special revenue funds	-	-	611,159	611,159
Debt service fund	-	626,926	-	626,926
Capital projects funds	-	-	548,648	548,648
Total fund balances	<u>1,293,645</u>	<u>638,602</u>	<u>1,330,406</u>	<u>3,262,653</u>
Total liabilities and fund balances	<u>\$ 8,240,919</u>	<u>\$ 1,390,625</u>	<u>\$ 1,698,958</u>	<u>\$ 11,330,502</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$	3,262,653
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			47,686,609
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	649,109	
Accounts receivable		77,603	
Intergovernmental revenue		22,563	
Total			749,275
Unamortized bond issuance costs are not recognized in the funds			112,005
Unamortized premiums on bond issuance is not recognized in the funds.			(489,552)
Unamortized deferred charges on refundings are not recognized in the funds.			373,712
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(22,577)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		934,917	
General obligation bonds payable		7,595,553	
Total			(8,530,470)
Net assets of governmental activities		\$	43,141,655

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 3,983,022	\$ 682,795	\$ 78,534	\$ 4,744,351
Tuition	1,281,258	-	-	1,281,258
Earnings on investments	255,942	-	35,726	291,668
Charges for services	-	-	501,564	501,564
Extracurricular	2,412	-	364,822	367,234
Classroom materials and fees	606	-	32,723	33,329
Other local revenues	216,026	-	164,766	380,792
Intergovernmental - Intermediate	9,754	-	-	9,754
Intergovernmental - State	12,201,881	83,613	522,660	12,808,154
Intergovernmental - Federal	-	-	1,144,730	1,144,730
Total revenue	<u>17,950,901</u>	<u>766,408</u>	<u>2,845,525</u>	<u>21,562,834</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,679,718	-	162,887	8,842,605
Special	1,469,742	-	553,468	2,023,210
Vocational	474,791	-	753	475,544
Other	118,023	-	7,151	125,174
Support services:				
Pupil	801,008	-	13,639	814,647
Instructional staff	669,021	-	205,443	874,464
Board of education	38,630	-	-	38,630
Administration	1,416,947	88	176,628	1,593,663
Fiscal	406,548	13,478	1,544	421,570
Operations and maintenance	2,003,379	-	142,047	2,145,426
Pupil transportation	1,493,346	-	-	1,493,346
Central	167,358	-	15,000	182,358
Operation of non-instructional services:				
Food service operations	-	-	768,056	768,056
Other non-instructional services	40,862	-	16,625	57,487
Extracurricular activities	351,265	-	242,489	593,754
Facilities acquisition and construction	4,575	-	497,528	502,103
Debt service:				
Principal retirement	-	320,000	-	320,000
Interest and fiscal charges	-	242,142	-	242,142
Bond issuance costs	-	113,711	-	113,711
Total expenditures	<u>18,135,213</u>	<u>689,419</u>	<u>2,803,258</u>	<u>21,627,890</u>
Excess of revenues over (under) expenditures	<u>(184,312)</u>	<u>76,989</u>	<u>42,267</u>	<u>(65,056)</u>
Other financing sources (uses):				
Transfers in	-	-	34,116	34,116
Transfers (out)	(30,000)	-	(4,116)	(34,116)
Sale of capital assets	3,437	-	25,000	28,437
Insurance claims	50,042	-	-	50,042
Sale of refunding bonds	-	6,349,995	-	6,349,995
Premium on sale of refunding bonds	-	497,007	-	497,007
Payment to refunding bond escrow agent	-	(6,729,403)	-	(6,729,403)
Total other financing sources (uses)	<u>23,479</u>	<u>117,599</u>	<u>55,000</u>	<u>196,078</u>
Net change in fund balances	(160,833)	194,588	97,267	131,022
Fund balances at beginning of year	1,454,478	444,014	1,235,767	3,134,259
Decrease in reserve for inventory	-	-	(2,628)	(2,628)
Fund balances at end of year	<u>\$ 1,293,645</u>	<u>\$ 638,602</u>	<u>\$ 1,330,406</u>	<u>\$ 3,262,653</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	131,022
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 626,255	
Depreciation expense	(2,033,795)	
Total		(1,407,540)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Disposals	(235,885)	
Accumulated depreciation on disposals	200,385	
Total		(35,500)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(2,628)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	165,560	
Accounts receivable	77,603	
Intergovernmental	22,563	
Total		265,726
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		320,000
The issuance of refunding bonds are recorded as an other financing source in the governmental funds; however, the proceeds increase long-term liabilities on the statement net assets.		
		(6,349,995)
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		6,350,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	7,066	
Accreted interest on "capital appreciation bonds"	(52,446)	
Bond issuance costs incurred in the current fiscal year	113,711	
Amortization of bond issuance costs	(1,706)	
Premium on bonds issued in the current fiscal year	(497,007)	
Amortization of bond premiums	7,455	
Deferred charges on refundings incurred in the fiscal year	379,403	
Amortization of deferred charges on refundings	(5,691)	
Total		(49,215)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		293,310
Change in net assets of governmental activities	\$	(484,820)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 3,896,075	\$ 4,058,065	\$ 4,072,226	\$ 14,161
Tuition	1,225,834	1,276,802	1,281,258	4,456
Earnings on investments	244,864	255,045	255,935	890
Extracurricular	2,308	2,404	2,412	8
Classroom materials and fees	644	671	673	2
Other local revenues	287,375	299,324	300,370	1,046
Intergovernmental - Intermediate	9,332	9,720	9,754	34
Intergovernmental - State	11,674,067	12,159,449	12,201,881	42,432
Intergovernmental - Federal	28	29	29	-
Total revenue	<u>17,340,527</u>	<u>18,061,509</u>	<u>18,124,538</u>	<u>63,029</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,550,792	8,740,043	8,665,362	74,681
Special	1,458,263	1,490,538	1,477,802	12,736
Vocational	482,168	492,840	488,629	4,211
Other	116,513	119,092	118,074	1,018
Support services:				
Pupil	794,863	812,455	805,513	6,942
Instructional staff	651,604	666,026	660,335	5,691
Board of education	25,244	25,802	25,582	220
Administration	1,400,826	1,431,830	1,419,595	12,235
Fiscal	397,466	406,263	402,792	3,471
Operations and maintenance	1,995,386	2,039,549	2,022,122	17,427
Pupil transportation	1,508,611	1,542,000	1,528,824	13,176
Central	257,673	261,482	259,978	1,504
Operation of non-instructional services:				
Other non-instructional services	41,960	42,888	42,522	366
Extracurricular activities	342,015	349,584	346,597	2,987
Facilities acquisition and construction	4,514	4,614	4,575	39
Total expenditures	<u>18,027,898</u>	<u>18,425,006</u>	<u>18,268,302</u>	<u>156,704</u>
Deficiency of revenues under expenditures	<u>(687,371)</u>	<u>(363,497)</u>	<u>(143,764)</u>	<u>219,733</u>
Other financing sources (uses):				
Refund of prior year expenditure	30,090	31,341	31,450	109
Transfers (out)	(28,472)	(30,997)	(30,000)	997
Sale of capital assets	3,288	3,425	3,437	12
Insurance claims	47,878	49,868	50,042	174
Refund of prior year (receipts)	(134)	(137)	(135)	2
Total other financing sources (uses)	<u>52,650</u>	<u>53,500</u>	<u>54,794</u>	<u>1,294</u>
Net change in fund balance	(634,721)	(309,997)	(88,970)	221,027
Fund balance at beginning of year	3,427,575	3,427,575	3,427,575	-
Prior year encumbrances appropriated	100,728	100,728	100,728	-
Fund balance at end of year	<u>\$ 2,893,582</u>	<u>\$ 3,218,306</u>	<u>\$ 3,439,333</u>	<u>\$ 221,027</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 21,545	\$ 26,436
Receivables:		
Accounts	-	24
Total assets	21,545	\$ 26,460
Liabilities:		
Accounts payable	-	\$ 666
Due to students	-	25,794
Total liabilities	-	\$ 26,460
Net Assets:		
Held in trust for scholarships	21,545	
Total net assets	\$ 21,545	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,118
Total additions.	1,118
Deductions:	
Scholarships awarded	835
Change in net assets	283
Net assets at beginning of year	21,262
Net assets at end of year.	\$ 21,545

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The West Branch Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the "Board") elected by its citizens. The District ranks as the 208th largest by enrollment among the 876 public school districts and community schools in the State. It currently operates six school buildings staffed by 111 non-certified and 160 certified employees to provide services to 2,483 students in grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. The members do not have an ongoing financial interest in ACCESS, however, they do have an equity interest. Financial information can be obtained from the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technology Center

The Mahoning County Career & Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technology Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

PUBLIC ENTITY RISK POOL

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Bond Retirement Fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificated of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Certificates of Estimated Resources issued for fiscal year 2007.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2007. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2007, investments were limited to overnight repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2007 amounted to \$255,942, which includes \$68,771 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method.

On the fund financial statements, 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 spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years
Textbooks and library books	6 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no short-term interfund loans during the fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty seven or greater with two years of service, age fifty two or greater with seven years of service or any age with twenty seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

M. Fund Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property taxes unavailable for appropriation and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for school bus purchases and education foundation.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. See Note 16 for details.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

S. Nonpublic School

Salem Christian Academy operates within the boundaries of the District. State legislation provides funding to this school. The District receives the money and then disburses the money as directed by the school. These transactions are reported as a governmental activity of the District.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2007, the District sold the Maple Ridge Elementary School property for a net loss of \$10,500, which is reported as a special item on the statement of activities. The District had no extraordinary items during fiscal year 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Management Information Systems	\$ 111
Entry Year Grant	16
SchoolNet Professional Development	9
Ohio Reads	82
Title VI-B	23,750
Drug Free School Grant	68
Reducing Class Size	11,633

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$1,729,587, exclusive of the \$380,649 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2007, \$1,828,083 of the District’s bank balance of \$2,028,083 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

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

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase Agreement	\$ 380,649	\$ 380,649
STAR Ohio	<u>3,576,986</u>	<u>3,576,986</u>
	<u>\$ 3,957,635</u>	<u>\$ 3,957,635</u>

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

Credit Risk: The federal agency securities that underlie the District’s repurchase agreement were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the District’s \$380,649 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment’s counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 380,649	9.62
STAR Ohio	<u>3,576,986</u>	<u>90.38</u>
	<u>\$ 3,957,635</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,729,587
Investments	<u>3,957,635</u>
Total	<u>\$ 5,687,222</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,639,241
Private-purpose trust fund	21,545
Agency funds	<u>26,436</u>
Total	<u>\$ 5,687,222</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from General Fund to:	
Nonmajor Governmental Funds	\$ 30,000
Transfers to Nonmajor Governmental Funds from:	
Nonmajor Governmental Funds	4,116

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The \$4,116 represents a transfer from the permanent improvement fund, a nonmajor governmental fund, for local funding initiatives that was transferred to the classroom facilities fund, a nonmajor governmental fund, when that portion of the contract came due.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Mahoning, Portage and Columbiana Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$67,684 in the general fund, \$11,676 in the bond retirement fund and \$1,369 in the classroom facilities maintenance fund, a nonmajor governmental fund. These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$172,478 in the general fund, \$33,202 in the bond retirement fund and \$3,489 in the classroom facilities maintenance fund, a nonmajor governmental fund.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 197,130,320	91.59	\$ 203,854,850	92.78
Public utility personal	11,767,100	5.47	11,304,720	5.15
Tangible personal property	<u>6,353,267</u>	<u>2.94</u>	<u>4,570,497</u>	<u>2.07</u>
Total	<u>\$ 215,250,687</u>	<u>100.00</u>	<u>\$ 219,730,067</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.60		\$ 36.05	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 5,459,784
Accounts	83,003
Intergovernmental	98,313
Accrued interest	<u>7</u>
Total	<u>\$ 5,641,107</u>

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 679,430	\$ -	\$ (35,500)	\$ 643,930
Construction in progress	<u>-</u>	<u>75,726</u>	<u>-</u>	<u>75,726</u>
Total capital assets, not being depreciated	<u>679,430</u>	<u>75,726</u>	<u>(35,500)</u>	<u>719,656</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,581,669	-	(36,144)	3,545,525
Building and improvements	48,379,604	382,728	-	48,762,332
Furniture and equipment	1,259,656	17,586	-	1,277,242
Textbooks and library books	833,270	-	-	833,270
Vehicles	<u>2,439,994</u>	<u>150,215</u>	<u>(164,241)</u>	<u>2,425,968</u>
Total capital assets, being depreciated	<u>56,494,193</u>	<u>550,529</u>	<u>(200,385)</u>	<u>56,844,337</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,023,423)	(160,787)	36,144	(1,148,066)
Building and improvements	(4,344,046)	(1,494,897)	-	(5,838,943)
Furniture and equipment	(251,850)	(102,084)	-	(353,934)
Textbooks and library books	(281,809)	(138,878)	-	(420,687)
Vehicles	<u>(2,142,846)</u>	<u>(137,149)</u>	<u>164,241</u>	<u>(2,115,754)</u>
Total accumulated depreciation	<u>(8,043,974)</u>	<u>(2,033,795)</u>	<u>200,385</u>	<u>(9,877,384)</u>
Governmental activities capital assets, net	<u>\$ 49,129,649</u>	<u>\$ (1,407,540)</u>	<u>\$ (35,500)</u>	<u>\$ 47,686,609</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,696,238
Vocational	2,454
 <u>Support Services:</u>	
Instructional staff	91,491
Administration	4,517
Operations and maintenance	6,765
Pupil transportation	139,286
Central	11,414
Extracurricular activities	68,666
Food service operations	<u>12,964</u>
 Total depreciation expense	 <u><u>\$ 2,033,795</u></u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance at <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>06/30/07</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 7,863,112	\$ 6,402,441	\$ (6,670,000)	\$ 7,595,553	\$ 460,000
Compensated absences	<u>1,228,227</u>	<u>64,170</u>	<u>(357,480)</u>	<u>934,917</u>	<u>64,170</u>
Total	<u><u>\$ 9,091,339</u></u>	<u><u>\$ 6,466,611</u></u>	<u><u>\$ (7,027,480)</u></u>	8,530,470	<u><u>\$ 524,170</u></u>
Less: Unamortized deferred charge on refunding				(373,712)	
Add: Unamortized premium on refunding				<u>489,552</u>	
Total on statement of net assets				<u><u>\$ 8,646,310</u></u>	

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

B. General Obligation Bonds

On June 15, 2001, the District issued \$8,949,999 in general obligation bonds (Series 2001, Classroom Facilities Improvement Bonds), which represent the District’s share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC). These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as an expenditure in the bond retirement fund. The source of payment is derived from a current 4.0 (average) mill bonded debt tax levy.

The general obligation bonds were issued to pay the local share of school construction under the OSFC Program (the “Project”), including construction of two elementary schools to house grades K-5, construction of a new K-8 school, renovations and additions to the existing high school to house grades 9-12 and abandonment and demolition of West Branch Beloit and Maple Ridge Elementary Schools.

In conjunction with the 4.0 mills which support the bond issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance fund, a nonmajor governmental fund.

This issue is comprised of current interest term bonds, par value \$6,350,000, serial bonds, par value \$2,235,000, and capital appreciation bonds, par value \$344,999. The capital appreciation bonds mature each December 1, 2009 and December 1, 2010, (effective interest 8.4199%, on both bonds) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$720,000. Total accreted interest of \$217,660 has been included in the statement of net assets at June 30, 2007. The current interest bonds maturing on or after December 1, 2017 are subject to early redemption at the sole option of the District, at a redemption price equal to 100% of par plus accrued interest.

During fiscal year 2007, the District made the required \$320,000 principal payment on the current interest bonds then refunded the callable portion (\$6,350,000) of the current interest bonds. None of the capital appreciation bonds were refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated on the issue is December 1, 2023.

The following is a schedule of activity for fiscal 2007 on the 2001 series general obligation bonds:

	Balance Outstanding <u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/07</u>	Amounts Due in <u>One Year</u>
General obligation bonds - series 2001:					
Current interest bonds	\$ 7,345,000	\$ -	\$ (6,670,000)	\$ 675,000	\$ 330,000
Capital appreciation bonds	344,999	-	-	344,999	-
Accreted interest	<u>173,113</u>	<u>44,547</u>	<u>-</u>	<u>217,660</u>	<u>-</u>
Total G.O. bonds - series 2001	<u>\$ 7,863,112</u>	<u>\$ 44,547</u>	<u>\$ (6,670,000)</u>	<u>\$ 1,237,659</u>	<u>\$ 330,000</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 330,000	\$ 20,917	\$ 350,917	\$ -	\$ -	\$ -
2009	345,000	7,159	352,159	-	-	-
2010	-	-	-	179,608	180,392	360,000
2011	-	-	-	165,391	194,609	360,000
Total	<u>\$ 675,000</u>	<u>\$ 28,076</u>	<u>\$ 703,076</u>	<u>\$ 344,999</u>	<u>\$ 375,001</u>	<u>\$ 720,000</u>

On March 22, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2001 Current Interest General Obligation Bonds (callable principal \$6,670,000). The issuance proceeds of \$6,729,403 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest term bonds, par value \$1,240,000, serial bonds, par value \$4,845,000 and capital appreciation bonds, par value \$264,995. The capital appreciation bonds mature December 1, 2015 and December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,000,000. Total accreted interest of \$7,899 has been included in the statement of net assets at June 30, 2007.

The following is a schedule of activity for fiscal 2007 on the 2007 series refunding bonds:

	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
Refunding bonds - series 2007:					
Current interest bonds	\$ -	\$ 6,085,000	\$ -	\$ 6,085,000	\$ 130,000
Capital appreciation bonds	-	264,995	-	264,995	-
Accreted interest	-	7,899	-	7,899	-
Total refunding bonds - series 2007	<u>\$ -</u>	<u>\$ 6,357,894</u>	<u>\$ -</u>	<u>\$ 6,357,894</u>	<u>\$ 130,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$379,403. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next eighteen years by \$372,847 and resulted in an economic gain of \$284,422.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

The following is a summary of the future debt service requirements to maturity for the 2007 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 130,000	\$ 240,800	\$ 370,800	\$ -	\$ -	\$ -
2009	60,000	237,000	297,000	-	-	-
2010	65,000	234,500	299,500	-	-	-
2011	65,000	231,900	296,900	-	-	-
2012	430,000	222,000	652,000	-	-	-
2013-2017	1,390,000	873,600	2,263,600	264,995	735,005	1,000,000
2018-2022	2,705,000	526,900	3,231,900	-	-	-
2023-2024	1,240,000	50,000	1,290,000	-	-	-
Total	<u>\$ 6,085,000</u>	<u>\$ 2,616,700</u>	<u>\$ 8,701,700</u>	<u>\$ 264,995</u>	<u>\$ 735,005</u>	<u>\$ 1,000,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$12,460,735 (including available funds of \$638,602) and an unvoted debt margin of \$213,246.

NOTE 10 - 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 one days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Upon retirement, payment is made to both classified and certified employees for one-third of accrued, but unused sick leave credit up to a maximum of 60 days for those employees with 10-19 years of continuous service to the District, and 65 days for those with 20 or more years of continuous service.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - RISK MANAGEMENT

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Because of new construction, as well as old buildings that were razed mid-year, the coverage is listed at the high point during the fiscal year. Coverage provided by these carriers is as follows:

Building and Contents - replacement cost - \$64,479,783 (\$2,500 deductible)

Inland Machine Coverage - \$2,586,376 (\$500 deductible)

Boiler and Machinery - \$50,000,000 (\$1,000 deductible)

Automobile Liability - \$2,000,000 combined single limit

Uninsured Motorists - \$250,000

General Liability - \$1,000,000 each occurrence / \$3,000,000 aggregate / \$1,000,000 excess

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.

Mahoning County School Employee Insurance Consortium - The District is a participant in the Mahoning County School Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 12 member school districts. The plan was organized to provide health care and other benefits to its member organizations. Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments and claims are made for all participating districts, regardless of cash flow. The District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 are covered by the District's stop-loss carrier, Medical Mutual. The District offers one health insurance plan with various options. Employee contributions range from 7 to 15 percent of the premium.

The District also offers a dental plan. The District pays 93 percent of the premiums for the plan. The plan is administered by Medical Mutual.

The fiscal officer of the COG is the Treasurer of the Springfield Local School District. The fiscal agent pays Medical Mutual monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2007, 2006, and 2005 were \$257,989, \$235,233, and \$242,301; 47.24 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$136,124 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - PENSION PLANS – (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,115,838, \$1,098,278 and \$1,113,757; 84.31 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$175,117 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$7,825 made by the District and \$12,566 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$85,834 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the District paid \$124,538 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (88,970)
Net adjustment for revenue accruals	(173,637)
Net adjustment for expenditure accrals	34,625
Net adjustment for other sources/uses	(31,315)
Adjustment for encumbrances	<u>98,464</u>
GAAP basis	<u>\$ (160,833)</u>

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25 percent of true value rather than the 88 percent used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The School District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the School District based on the lower assessment rate beginning from tax year 2001. The amount of that refund is estimated to be approximately \$23,314 per year. A portion of the refund may be recovered from additional State entitlement payments.

On February 15, 2008, the Ohio Supreme Court ruled 7-0 in favor of the Ohio Tax Commissioners and will continue to be taxed at the 88% rate and thus the District will not be required to pay any refund to the Corporation.

Outside of the above issue, the District is not a party to any legal proceedings that will have a material effect, if any, on the financial statements.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2006	\$ (480,578)	\$ (10,970,608)
Current year set-aside requirement	332,326	332,326
Qualifying disbursements	<u>(463,995)</u>	<u>(464,606)</u>
Total	<u>\$ (612,247)</u>	<u>\$ (11,102,888)</u>
Balance carried forward to FY 2007	<u>\$ (612,247)</u>	<u>\$ (10,970,608)</u>

The District had qualifying expenditures during the year and an offset at the beginning of the year that reduced the set-aside amount below zero for the capital acquisition reserve. Because the District was involved in an Ohio School Facilities Commission project, this negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had qualifying expenditures during the year that reduced the set-aside amount below zero for the instructional materials reserve. This negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2007 follows:

Amount restricted for school bus purchases	<u>\$ 28,313</u>
Total restricted assets	<u>\$ 28,313</u>



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

February 27, 2008

To the Board of Education
West Branch Local School District
Beloit, OH 44609

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Branch Local School District (the "School District") as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 27, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

West Branch Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
February 27, 2008
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated February 27, 2008.

Compliance and Other Matters

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

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

Hea & Associates, Inc.



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

February 27, 2008

To the Board of Education
West Branch Local Schools
Beloit, OH 44609

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the West Branch Local School District (the "School 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 each of its major federal programs for the year ended June 30, 2007. The School District's major federal programs are 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 each major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the School 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 School 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted certain matters that we have reported to management of the School District in a separate letter dated February 27, 2008.

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

Rea & Associates, Inc.

WEST BRANCH LOCAL SCHOOL DISTRICT
 MAHONING COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Title 1, Part A, ESEA						
Elementary and Secondary Education Act	84.010	C1-S1 2006	\$ 2,900		\$ 37,315	
		C1-S1 2007	170,787		162,956	
		C1-S1N 2007	1,908		0	
Total Title 1, Part A, ESEA			<u>175,595</u>		<u>200,271</u>	
Special Education Grants to States	84.027	6B-SF 2006	0		29,466	
		6B-SF 2007	520,896		500,377	
Total Special Education Grants to States			<u>520,896</u>		<u>529,843</u>	
Innovative Education Program Strategies	84.298	C2-S1 2007	3,396		3,396	
Safe, Drug-Free Schools & Communities Act Grant	84.186	DR-S1 2007	8,850		8,850	
Title II-A Class Size Reduction	84.367	TR-S1 2006	13,190		17,448	
		TR-S1 2007	101,310		99,337	
Total Class Size Reduction Grant			<u>114,500</u>		<u>116,785</u>	
Title II-D Technology Grant	84.318	TJ-S1 2006	2,260		2,260	
Total U. S. Department of Education			<u>825,498</u>		<u>861,406</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	FY 2006	28		0	
Total U.S. Dept. of Health and Human Services			<u>28</u>		<u>0</u>	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Food Distribution Program	10.550	FY2006		\$ 45,560		\$ 45,560
Nutrition Cluster:						
National School Breakfast Program	10.553	05-PU-2007	12,882		12,882	
National School Lunch Program	10.555	LL-P4 2007	237,278		237,278	
Total Nutrition Cluster			<u>250,160</u>		<u>250,160</u>	
Total U.S. Department of Agriculture			<u>250,160</u>	<u>45,560</u>	<u>250,160</u>	<u>45,560</u>
Total Federal Financial Assistance			<u>\$ 1,075,686</u>	<u>\$ 45,560</u>	<u>\$ 1,111,566</u>	<u>\$ 45,560</u>

See accompanying notes to schedule of expenditures of federal awards.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

Reimbursement monies are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

Food Distribution Program nonmonetary assistance is not part of the Nutrition Cluster; however, it is reported in the schedule of expenditures of federal awards at the cost of the commodities to the United States Department of Agriculture (USDA) fair market value of the commodities received and disbursed. At June 30, 2007, the School District had no significant food commodities inventory.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(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 significant deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Nutrition Cluster Improving Teacher Quality State Grants	CFDA # 10.553, 10.555 CFDA # 84.367
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE	
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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NONE	
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Mary Taylor, CPA
Auditor of State

WEST BRANCH LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2008**