



Dave Yost • Auditor of State



**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

West Branch Local School District  
Mahoning County  
14277 Main Street  
Beloit, Ohio 44609

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Branch Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinion***

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 West Branch Local School District, Mahoning County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$435,995 which represents a 1.26% decrease from 2013 as restated in Note 3.B.
- General revenues accounted for \$16,185,476 in revenue or 74.45% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$5,553,800 or 25.55% of total revenues of \$21,739,276.
- The District had \$22,175,271 in expenses related to governmental activities; \$5,553,800 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 \$16,185,476 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the bond retirement fund. The general fund had \$18,856,674 in revenues and \$17,756,718 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance increased \$1,099,956 from a fund balance of \$643,706 to \$1,743,662.
- The bond retirement fund had \$829,658 in revenues and other financing sources and \$847,031 in expenditures. During fiscal 2014, the bond retirement fund's fund balance decreased \$17,373 from \$472,017 to \$454,644.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position 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 2014?" The statement of net position and the statement of activities answer this question. These statements include non-fiduciary assets, deferred outflows, liabilities, deferred inflows, 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 position and changes in that position. This change in net position 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 position 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 position and statement of activities can be found on pages 14-15 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 that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position 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 16-20 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 position and changes in fiduciary net position on pages 21 and 22. 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, 2014  
(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 23-51 of this report.

**The District as a Whole**

The net position of the District was restated at June 30, 2013 as described in Note 3.B to the basic financial statements. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities 2014	Restated Governmental Activities 2013
<b><u>Assets</u></b>		
Current and other assets	\$ 12,356,718	\$ 11,569,030
Capital assets, net	<u>36,757,701</u>	<u>38,723,774</u>
Total assets	<u>49,114,419</u>	<u>50,292,804</u>
<b><u>Deferred outflows</u></b>	<u>214,363</u>	<u>237,127</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,944,721	3,033,106
Long-term liabilities	<u>7,235,598</u>	<u>7,872,825</u>
Total liabilities	<u>10,180,319</u>	<u>10,905,931</u>
<b><u>Deferred inflows</u></b>	<u>4,763,968</u>	<u>4,803,510</u>
<b><u>Net position</u></b>		
Net investment in capital assets	30,834,222	32,203,569
Restricted	1,459,204	1,582,652
Unrestricted	<u>2,091,069</u>	<u>1,034,269</u>
Total net position	<u>\$ 34,384,495</u>	<u>\$ 34,820,490</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$34,384,495.

At year-end, capital assets represented 74.84% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, textbooks and library books and vehicles. The District's net investment in capital assets at June 30, 2014, was \$30,834,222. 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.

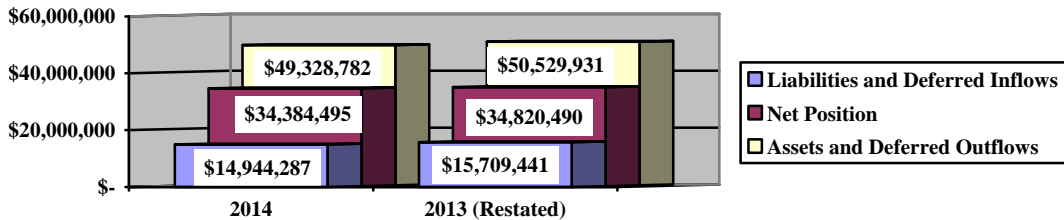
**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

A portion of the District's net position, \$1,459,204, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,091,069 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, deferred outflows, liabilities, deferred inflows and net position at June 30, 2014 and June 30, 2013. The net position at June 30, 2013 has been restated as described in Note 3.B.

**Governmental Activities**



The June 30, 2013 net position of the District has been restated as described in Note 3.B to the basic financial statements. In addition, the District has reclassified \$405,719 of expenses for fiscal year 2013 from instructional staff support services to regular instruction to conform to fiscal year 2014 presentation due to changes in the reporting of expenses required by the State of Ohio to align USAS function codes to federal standards. The table below shows the changes in net position for governmental activities for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities <u>2014</u>	Restated Governmental Activities <u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 3,138,214	\$ 2,959,654
Operating grants and contributions	2,415,586	2,680,448
Capital grants and contributions	-	4,020
General revenues:		
Property taxes	4,643,717	4,846,793
Grants and entitlements	11,380,758	10,920,633
Investment earnings	20,926	2,644
Other	140,075	311,881
Total revenues	<u>21,739,276</u>	<u>21,726,073</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Change in Net Position**

	Governmental Activities <u>2014</u>	Restated Governmental Activities <u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 10,258,398	\$ 10,295,183
Special	2,611,795	2,484,294
Vocational	309,401	347,833
Other	-	11,461
Support services:		
Pupil	994,534	1,238,784
Instructional staff	335,722	950,880
Board of education	51,773	42,776
Administration	1,528,665	1,617,748
Fiscal	452,227	469,610
Business	17,274	9,910
Operations and maintenance	1,977,741	2,009,878
Pupil transportation	1,379,907	1,370,393
Central	264,052	237,712
Operations of non-instructional services:		
Food service operations	820,979	860,183
Other non-instructional services	38,728	60,465
Extracurricular activities	791,946	698,367
Interest and fiscal charges	<u>342,129</u>	<u>351,529</u>
Total expenses	<u>22,175,271</u>	<u>23,057,006</u>
Change in net position	(435,995)	(1,195,109)
Net position at beginning of year (restated)	<u>34,820,490</u>	<u>36,015,599</u>
Net position at end of year	<u>\$ 34,384,495</u>	<u>\$ 34,820,490</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$435,995. Total governmental expenses of \$22,175,271 were offset by program revenues of \$5,553,800 and general revenues of \$16,185,476. Program revenues supported 25.05% of the total governmental expenses.

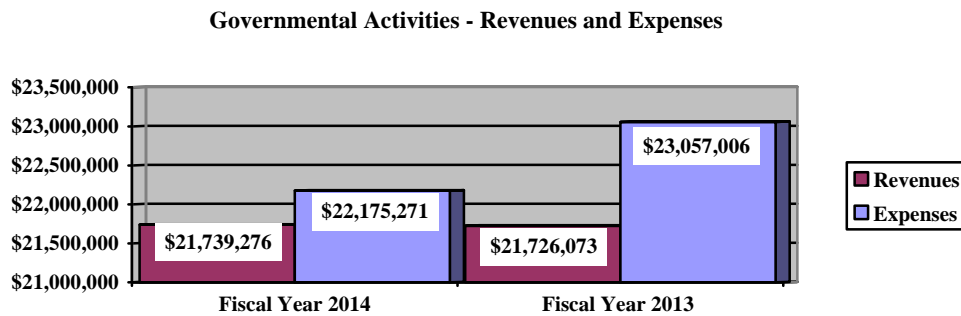
The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These two revenue sources represent 73.71% of total governmental revenue. Real estate property is reappraised every six years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

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. In fiscal year 2014, the District has changed the way it recorded foundation deduction on each settlement payment resulting in a decrease in instructional staff expenses.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. In the table below, \$405,719 of expenses reported in the "total cost of services" and the "net cost of" for 2013 have been reclassified from instructional staff support services to regular instruction to conform to fiscal year 2014 presentation due to changes in the reporting of expenses required by the State of Ohio to align USAS function codes to federal standards. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2014 and 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

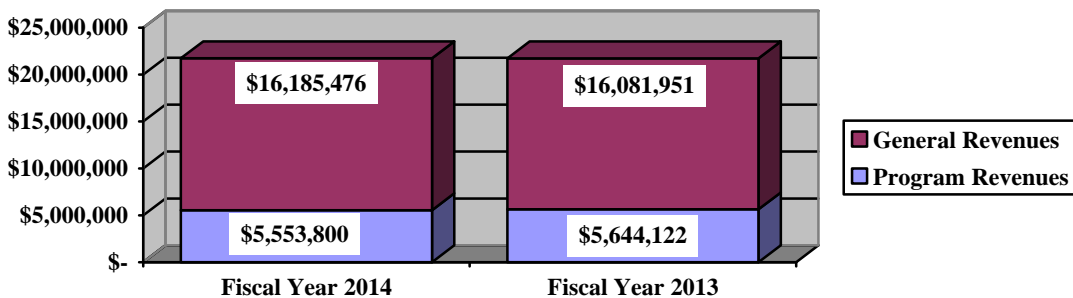
**Governmental Activities**

Program expenses	Total Cost of	Net Cost of	Restated	Restated
	Services	Services	Total Cost of	Net Cost of
	2014	2014	2013	2013
Instruction:				
Regular	\$ 10,258,398	\$ 8,428,019	\$ 10,295,183	\$ 8,533,436
Special	2,611,795	822,102	2,484,294	617,981
Vocational	309,401	235,122	347,833	248,450
Other	-	-	11,461	11,461
Support services:				
Pupil	994,534	858,108	1,238,784	895,835
Instructional staff	335,722	166,076	950,880	727,971
Board of education	51,773	51,773	42,776	42,776
Administration	1,528,665	1,521,701	1,617,748	1,609,716
Fiscal	452,227	452,227	469,610	469,610
Business	17,274	17,274	9,910	9,910
Operations and maintenance	1,977,741	1,977,009	2,009,878	1,989,063
Pupil transportation	1,379,907	1,320,366	1,370,393	1,287,152
Central	264,052	68,885	237,712	230,512
Operations of non-instructional services:				
Food service operations	820,979	(30,670)	860,183	(120,219)
Other non-instructional services	38,728	(39,611)	60,465	51,994
Extracurricular activities	791,946	430,961	698,367	455,707
Interest and fiscal charges	342,129	342,129	351,529	351,529
<b>Total expenses</b>	<b>\$ 22,175,271</b>	<b>\$ 16,621,471</b>	<b>\$ 23,057,006</b>	<b>\$ 17,412,884</b>

The dependence upon tax and other general revenues for governmental activities is apparent, as 71.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.95%. 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 revenues for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$3,925,271, which is higher than last year's total of \$2,764,214. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
General	\$ 1,743,662	\$ 643,706	\$ 1,099,956
Bond retirement	454,644	472,017	(17,373)
Other governmental	<u>1,726,965</u>	<u>1,648,491</u>	<u>78,474</u>
Total	<u>\$ 3,925,271</u>	<u>\$ 2,764,214</u>	<u>\$ 1,161,057</u>

**General Fund**

The District's general fund balance increased \$1,099,956. The District has reclassified \$405,719 of expenditures for fiscal year 2013 from instructional staff support services to regular instruction to conform to fiscal year 2014 presentation due to changes in the reporting of expenditures required by the State of Ohio to align USAS function codes to federal standards. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2014 <u>Amount</u>	Restated 2013 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,275,580	\$ 4,224,325	\$ 51,255	1.21 %
Tuition	2,058,853	1,938,015	120,838	6.24 %
Earnings on investments	21,342	3,830	17,512	457.23 %
Intergovernmental	12,038,942	11,850,563	188,379	1.59 %
Other revenues	<u>461,957</u>	<u>613,925</u>	<u>(151,968)</u>	<u>(24.75) %</u>
Total	<u>\$ 18,856,674</u>	<u>\$ 18,630,658</u>	<u>\$ 226,016</u>	1.21 %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,809,812	\$ 11,148,214	\$ (338,402)	(3.04) %
Support services	6,330,743	7,208,084	(877,341)	(12.17) %
Operation of non-instructional services	37,485	55,688	(18,203)	(32.69) %
Extracurricular activities	400,479	388,440	12,039	3.10 %
Facilities acquisition and construction	<u>-</u>	<u>2,599</u>	<u>(2,599)</u>	<u>(100.00) %</u>
Total	<u>\$ 17,578,519</u>	<u>\$ 18,803,025</u>	<u>\$ (1,224,506)</u>	<u>(6.51) %</u>

Intergovernmental revenue increased due to increased funding from the State of Ohio. Other revenues decreased primarily due to a decrease in extracurricular revenues. Support services decreased primarily due to decreases in instructional staff support services. The District has changed the way it records foundation deduction on each settlement payment resulting in a decrease in instructional staff expenditures. Operation of non-instructional services decreased due to decreases in other food services. All other revenues and expenditures remained consistent with the prior year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***Bond Retirement Fund***

The bond retirement fund had \$829,658 in revenues and other financing sources and \$847,031 in expenditures. During fiscal 2014, the bond retirement fund's fund balance decreased \$17,373 from \$472,017 to \$454,644.

***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 2014, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$18,544,769 which was increased from the original budgeted revenues estimate of \$18,264,790. Actual revenues and other financing sources for fiscal 2014 was \$18,951,074. This represents a \$406,305 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,933,371 were increased to \$18,839,074 in the final budget. Actual expenditures plus other financing uses for fiscal year 2014 were \$18,261,885, which is less than the final budgeted amount by \$577,189.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2014, the District had \$36,757,701 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and library books. This entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to 2013. The capital assets at June 30, 2013 have been restated as described in Note 3.B.

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

	Governmental Activities	
	2014	Restated 2013
Land	\$ 643,930	\$ 643,930
Land improvements	1,505,286	1,660,308
Building and improvements	33,536,815	35,065,153
Furniture and equipment	515,250	602,736
Vehicles	331,215	462,098
Textbooks and library books	225,205	289,549
Total	\$ 36,757,701	\$ 38,723,774

Total additions to capital assets for 2014 were \$5,162. Disposals to capital assets for 2014 were \$5,945 (net of accumulated depreciation). The District had \$1,965,290 in depreciation expense for the 2014 fiscal year. Overall, capital assets of the District decreased \$1,966,073.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***Debt Administration***

At June 30, 2014, the District had \$6,367,298 in general obligation bonds outstanding. Of this total, \$609,670 is due within one year and \$5,757,628 is due in greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds:		
Energy conservation bonds - Series 2010	\$ 1,167,038	\$ 1,296,708
Refunding bonds - Series 2007	<u>5,200,260</u>	<u>5,552,833</u>
 Total	 <u>\$ 6,367,298</u>	 <u>\$ 6,849,541</u>

At June 30, 2014, the District's legal voted debt margin was \$15,817,412 with an unvoted debt margin of \$235,776.

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

**Current Financial Related Activities**

As the statement of revenues, expenditures and changes in fund balances indicates, the District relies heavily upon property taxes, revenue from the state, tuition and other local revenues. This reliance presents certain internal and external challenges with respect to the future financial stability of the District.

The District anticipates that it must look towards a combination of increased reliance on local property taxes and expenditure reductions in order to fund its operations as State revenue, already the major source of operational revenue, is expected to provide little if any growth in the foreseeable future. At the same time, the District does not foresee any sustainable growth in revenue from current levied property taxes due to continued slow economic growth and recent year's lack of growth in property valuation. Management must diligently adjust planned expenditures to fit within projected revenues in response to the May 2014 five year financial forecast as updated for year-end actual results (fiscal years 2014 through 2018).

With the passage of Amended Substitute House Bill 59 of the 130<sup>th</sup> Ohio General Assembly in July 2013, the state foundation formula for fiscal years 2014 and 2015 changed. Total state funding inclusive of a transitional aide guarantee and exclusive of additional aid items such as preschool special education funding, special education transportation and various prior year adjustments was identical in fiscal 2014 to what the District received in fiscal year 2013 and was 65% of daily operating funds in fiscal 2014. Expectations are that state funding to be received in fiscal 2015 will not deviate significantly from fiscal 2014 level and in the remaining years of the forecast may decline from fiscal 2015 levels should changes be made to funding guarantees in the current funding formula.

Local property taxes, consisting of real property and public utility personal property collections, comprise 23% of daily operating funds in fiscal 2014. The District experienced little growth in property valuations for tax years 2010 through 2013 with average year to year growth of .8%. Projections for tax year 2014 through tax year 2018 would indicate a 2.2% average year to year growth. These valuation increases should result in modest growth in tax revenues over the forecast period.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The District continues to be concerned with the lack of any significant growth in district of residence enrollment. Through fiscal 2014 and projected out through fiscal 2018, open enrollment of out of District students had served to maintain a relatively steady total enrollment and revenues from non state sources. Projected average year to growth of .7% in district of residence enrollment has and is expected to continue a no growth scenario in terms of state funding given the current funding formula

The District has committed itself to academic and financial excellence for many years. Through the 2010 – 2011 academic year, West Branch Local Schools was rated “Excellent” by the Ohio Department of Education for five consecutive academic years. The District received an excellent with distinction rating for the 2011 – 12 academic year. With changes to the 2012 – 2013 academic year report card, the District received an “A” grade based upon performance indicators met. The 2013 – 2014 academic year report card contains no overall District rating as in the past but merely a letter grade for a variety of subcategories.

Annual financial audit reports are filed as required by law. An unqualified audit opinion was received for fiscal 2013 audit year. For the fourth consecutive year, the District receiving the Auditor of State Award for its filing of timely financial reports as well as its receipt of an audit report that did not contain any findings for recovery, material citations or weaknesses, significant deficiencies, Single Audit findings or any questioned costs.

In April 2010, Standard and Poor’s Rating Services upgraded its rating on the District’s 2007 general obligation bonds to an “A+” rating from its prior “A” rating and changed its outlook to stable from developing. In July 2014, it affirmed its continuation of the “A+” rating and stable outlook. This rating remains in place and may not only have a favorable impact upon future debt issuance but could also improve the perception of outstanding debt currently in the marketplace.

Improvements continue in the quality of fiscal management as demonstrated by a proactive approach to cash management, not only to maximize funds but also to achieve optimal income on cash balances. With the ongoing banking environment, safety of the District’s dollars remains top priority. Meeting the needs of the natural budget cycles continues to 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 demonstrate accountability for money received. If you have any questions about this report or need additional financial information, contact Mr. Daniel J. Telzrow, Treasurer, West Branch Local School District, 14277 Main Street, Beloit, OH 44609.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 6,401,360
Receivables:	
Property taxes . . . . .	5,534,410
Accounts . . . . .	8,910
Accrued interest . . . . .	2,015
Intergovernmental . . . . .	325,943
Prepayments . . . . .	53,236
Materials and supplies inventory . . . . .	30,844
Capital assets:	
Land . . . . .	643,930
Depreciable capital assets, net . . . . .	<u>36,113,771</u>
Capital assets, net . . . . .	<u>36,757,701</u>
Total assets . . . . .	<u>49,114,419</u>
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	<u>214,363</u>
Total deferred outflows of resources . . . . .	<u>214,363</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	150,324
Accrued wages and benefits payable . . . . .	2,319,502
Pension obligation payable . . . . .	349,133
Intergovernmental payable . . . . .	107,113
Accrued interest payable . . . . .	18,649
Long-term liabilities:	
Due within one year . . . . .	672,463
Due in more than one year . . . . .	<u>6,563,135</u>
Total liabilities . . . . .	<u>10,180,319</u>
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	<u>4,763,968</u>
Total deferred inflows of resources . . . . .	<u>4,763,968</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	30,834,222
Restricted for:	
Capital projects . . . . .	495,915
Classroom facilities maintenance . . . . .	390,457
Debt service . . . . .	10,228
Locally funded programs . . . . .	5,000
State funded programs . . . . .	1,856
Federally funded programs . . . . .	13,040
Student activities . . . . .	133,443
Other purposes . . . . .	409,265
Unrestricted . . . . .	<u>2,091,069</u>
Total net position . . . . .	<u>\$ 34,384,495</u>

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, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 10,258,398	\$ 1,822,951	\$ 7,428	\$ (8,428,019)
Special . . . . .	2,611,795	262,008	1,527,685	(822,102)
Vocational . . . . .	309,401	-	74,279	(235,122)
Other . . . . .	-	-	-	-
Support services:				
Pupil. . . . .	994,534	98,028	38,398	(858,108)
Instructional staff . . . . .	335,722	-	169,646	(166,076)
Board of education . . . . .	51,773	-	-	(51,773)
Administration. . . . .	1,528,665	-	6,964	(1,521,701)
Fiscal. . . . .	452,227	-	-	(452,227)
Business. . . . .	17,274	-	-	(17,274)
Operations and maintenance . . . . .	1,977,741	732	-	(1,977,009)
Pupil transportation. . . . .	1,379,907	-	59,541	(1,320,366)
Central . . . . .	264,052	187,967	7,200	(68,885)
Operation of non-instructional services:				
Other non-instructional services . . . . .	38,728	587	77,752	39,611
Food service operations . . . . .	820,979	479,694	371,955	30,670
Extracurricular activities. . . . .	791,946	286,247	74,738	(430,961)
Interest and fiscal charges . . . . .	342,129	-	-	(342,129)
Total governmental activities . . . . .	\$ 22,175,271	\$ 3,138,214	\$ 2,415,586	(16,621,471)
 <b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				4,036,057
Debt service . . . . .				530,567
Special revenue . . . . .				77,093
Grants and entitlements not restricted				
to specific programs . . . . .				11,380,758
Investment earnings . . . . .				20,926
Miscellaneous . . . . .				140,075
Total general revenues . . . . .				16,185,476
Change in net position . . . . .				(435,995)
<b>Net position at beginning of year (restated) . . . . .</b>				<b>34,820,490</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 34,384,495</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 4,127,138	\$ 446,776	\$ 1,827,446	\$ 6,401,360
<b>Receivables:</b>				
Property taxes. . . . .	4,809,887	632,364	92,159	5,534,410
Accounts . . . . .	8,693	-	217	8,910
Accrued interest . . . . .	2,015	-	-	2,015
Interfund loans . . . . .	48,302	-	-	48,302
Intergovernmental. . . . .	80,949	-	244,994	325,943
Prepayments. . . . .	51,748	-	1,488	53,236
Materials and supplies inventory. . . . .	-	-	30,844	30,844
Due from other funds . . . . .	103,760	-	-	103,760
Total assets . . . . .	<u>\$ 9,232,492</u>	<u>\$ 1,079,140</u>	<u>\$ 2,197,148</u>	<u>\$ 12,508,780</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 127,580	\$ -	\$ 22,744	\$ 150,324
Accrued wages and benefits payable . . . . .	2,170,257	-	149,245	2,319,502
Compensated absences payable . . . . .	5,613	-	-	5,613
Interfund loans payable. . . . .	-	-	48,302	48,302
Intergovernmental payable . . . . .	99,978	-	7,135	107,113
Pension obligation payable . . . . .	308,630	-	40,503	349,133
Due to other funds . . . . .	-	-	103,760	103,760
Total liabilities. . . . .	<u>2,712,058</u>	<u>-</u>	<u>371,689</u>	<u>3,083,747</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	4,145,570	539,998	78,400	4,763,968
Delinquent property tax revenue not available. . . . .	605,888	84,498	12,627	703,013
Accrued interest not available. . . . .	1,166	-	-	1,166
Intergovernmental revenue not available . . . . .	24,148	-	7,467	31,615
Total deferred inflows of resources . . . . .	<u>4,776,772</u>	<u>624,496</u>	<u>98,494</u>	<u>5,499,762</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory. . . . .	-	-	30,844	30,844
Prepays. . . . .	51,748	-	1,488	53,236
<b>Restricted:</b>				
Debt service . . . . .	-	454,644	-	454,644
Capital improvements . . . . .	-	-	495,915	495,915
Classroom facilities maintenance . . . . .	-	-	377,830	377,830
Food service operations . . . . .	-	-	394,921	394,921
Targeted academic assistance . . . . .	-	-	11,676	11,676
Other purposes. . . . .	-	-	5,000	5,000
Extracurricular. . . . .	-	-	133,443	133,443
<b>Committed:</b>				
Capital improvements . . . . .	-	-	24,393	24,393
Other purposes. . . . .	-	-	161,799	161,799
<b>Assigned:</b>				
Student instruction . . . . .	45,958	-	-	45,958
Student and staff support. . . . .	192,909	-	-	192,909
Extracurricular activities . . . . .	120	-	-	120
Subsequent year's appropriations . . . . .	23,829	-	-	23,829
Insurance benefits . . . . .	108,354	-	-	108,354
Other purposes. . . . .	2,849	-	101,844	104,693
Unassigned (deficit) . . . . .	1,317,895	-	(12,188)	1,305,707
Total fund balances . . . . .	<u>1,743,662</u>	<u>454,644</u>	<u>1,726,965</u>	<u>3,925,271</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 9,232,492</u>	<u>\$ 1,079,140</u>	<u>\$ 2,197,148</u>	<u>\$ 12,508,780</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 POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	3,925,271
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			36,757,701
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	703,013	
Accrued interest receivable		1,166	
Intergovernmental receivable		31,615	
Total		735,794	735,794
Unamortized premiums on bonds issued are not recognized in the funds.			(280,809)
Unamortized amounts on refundings are not recognized in the funds.			214,363
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(18,649)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(5,200,260)	
Energy conservation bonds		(1,167,038)	
Compensated absences		(581,878)	
Total		(6,949,176)	(6,949,176)
<b>Net position of governmental activities</b>		\$	34,384,495

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, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,275,580	\$ 555,462	\$ 81,485	\$ 4,912,527
Tuition. . . . .	2,058,853	-	-	2,058,853
Earnings on investments . . . . .	21,342	-	617	21,959
Charges for services . . . . .	-	-	479,694	479,694
Extracurricular. . . . .	76,534	-	277,785	354,319
Classroom materials and fees . . . . .	26,106	-	-	26,106
Rental income . . . . .	732	-	-	732
Contributions and donations . . . . .	51,591	-	153,297	204,888
Other local revenues . . . . .	306,994	-	5,510	312,504
Intergovernmental - intermediate . . . . .	973	-	-	973
Intergovernmental - state . . . . .	11,967,905	86,998	159,079	12,213,982
Intergovernmental - federal . . . . .	70,064	53,386	1,275,273	1,398,723
<b>Total revenues . . . . .</b>	<b>18,856,674</b>	<b>695,846</b>	<b>2,432,740</b>	<b>21,985,260</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	8,632,976	-	500	8,633,476
Special . . . . .	1,846,237	-	793,703	2,639,940
Vocational . . . . .	330,599	-	-	330,599
Support services:				
Pupil . . . . .	961,896	-	39,175	1,001,071
Instructional staff . . . . .	112,322	-	183,807	296,129
Board of education . . . . .	51,773	-	-	51,773
Administration . . . . .	1,537,369	16	7,103	1,544,488
Fiscal . . . . .	445,731	13,617	2,021	461,369
Business. . . . .	17,274	-	-	17,274
Operations and maintenance . . . . .	1,725,651	-	202,429	1,928,080
Pupil transportation . . . . .	1,223,190	-	24,876	1,248,066
Central . . . . .	255,537	-	7,200	262,737
Operation of non-instructional services:				
Other non-instructional services . . . . .	37,485	-	1,013	38,498
Food service operations. . . . .	-	-	820,676	820,676
Extracurricular activities . . . . .	400,479	-	319,081	719,560
Debt service:				
Principal retirement. . . . .	-	589,670	-	589,670
Interest and fiscal charges . . . . .	-	243,728	-	243,728
<b>Total expenditures . . . . .</b>	<b>17,578,519</b>	<b>847,031</b>	<b>2,401,584</b>	<b>20,827,134</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	1,278,155	(151,185)	31,156	1,158,126
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	133,812	44,387	178,199
Transfers (out) . . . . .	(178,199)	-	-	(178,199)
<b>Total other financing sources (uses) . . . . .</b>	<b>(178,199)</b>	<b>133,812</b>	<b>44,387</b>	<b>-</b>
Net change in fund balances . . . . .	1,099,956	(17,373)	75,543	1,158,126
<b>Fund balances at beginning of year. . . . .</b>	<b>643,706</b>	<b>472,017</b>	<b>1,648,491</b>	<b>2,764,214</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>2,931</b>	<b>2,931</b>
<b>Fund balances at end of year. . . . .</b>	<b>\$ 1,743,662</b>	<b>\$ 454,644</b>	<b>\$ 1,726,965</b>	<b>\$ 3,925,271</b>

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, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	1,158,126
<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 asset additions	\$ 5,162	
Current year depreciation	(1,965,290)	
Total		(1,960,128)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(5,945)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		2,931
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(268,810)	
Earnings on investments	(501)	
Intergovernmental	26,954	
Total		(242,357)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		589,670
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,970	
Accreted interest on capital appreciation bonds	(107,427)	
Amortization of bond premiums	29,820	
Amortization of deferred charges	(22,764)	
Total		(98,401)
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.		
		120,109
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(435,995)</b>

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, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,184,755	\$ 4,184,755	\$ 4,277,273	\$ 92,518
Tuition . . . . .	1,922,832	1,922,832	2,059,238	136,406
Earnings on investments . . . . .	12,836	12,836	15,669	2,833
Classroom materials and fees . . . . .	502	502	827	325
Rental income . . . . .	1,772	1,772	692	(1,080)
Contributions and donations . . . . .	155	155	25,582	25,427
Contract services . . . . .	2,212	2,212	-	(2,212)
Other local revenues . . . . .	71,103	71,103	96,633	25,530
Intergovernmental - intermediate . . . . .	2,323	2,323	953	(1,370)
Intergovernmental - state . . . . .	11,763,161	11,763,161	11,925,364	162,203
Intergovernmental - federal . . . . .	112,276	112,276	56,019	(56,257)
<b>Total revenues . . . . .</b>	<u>18,073,927</u>	<u>18,073,927</u>	<u>18,458,250</u>	<u>384,323</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,775,932	8,760,011	8,685,077	74,934
Special . . . . .	1,867,367	2,060,493	1,878,715	181,778
Vocational . . . . .	332,236	355,194	351,255	3,939
Other . . . . .	524	523	-	523
Support services:				
Pupil . . . . .	1,145,385	1,198,628	1,076,731	121,897
Instructional staff . . . . .	3,729	13,951	38,835	(24,884)
Board of education . . . . .	52,181	53,843	51,840	2,003
Administration . . . . .	1,628,156	1,644,616	1,614,477	30,139
Fiscal . . . . .	438,568	460,498	457,004	3,494
Business . . . . .	11,977	16,924	16,923	1
Operations and maintenance . . . . .	1,886,345	1,934,673	1,825,871	108,802
Pupil transportation . . . . .	1,258,393	1,318,935	1,254,826	64,109
Central . . . . .	56,233	63,202	63,202	-
Other non-instructional services . . . . .	45,256	48,264	46,340	1,924
Extracurricular activities . . . . .	387,213	391,554	383,024	8,530
<b>Total expenditures . . . . .</b>	<u>17,889,494</u>	<u>18,321,309</u>	<u>17,744,120</u>	<u>577,189</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	184,433	(247,382)	714,130	961,512
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	68,014	68,014	96,682	28,668
Transfers in . . . . .	307	10,699	10,699	-
Transfers (out) . . . . .	(4,619)	(179,908)	(179,908)	-
Advances in . . . . .	99,613	369,200	349,910	(19,290)
Advances (out) . . . . .	(39,258)	(337,857)	(337,857)	-
Sale of assets . . . . .	22,929	22,929	35,533	12,604
<b>Total other financing sources (uses) . . . . .</b>	<u>146,986</u>	<u>(46,923)</u>	<u>(24,941)</u>	<u>21,982</u>
Net change in fund balance . . . . .	331,419	(294,305)	689,189	983,494
<b>Fund balance at beginning of year . . . . .</b>	2,792,647	2,792,647	2,792,647	-
<b>Prior year encumbrances appropriated . . . . .</b>	250,693	250,693	250,693	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,374,759</u>	<u>\$ 2,749,035</u>	<u>\$ 3,732,529</u>	<u>\$ 983,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 10,813	\$ 52,984
Receivables:		
Accounts . . . . .	-	518
Total assets. . . . .	10,813	\$ 53,502
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 2,169
Intergovernmental payable . . . . .	-	23
Due to students. . . . .	-	51,310
Total liabilities . . . . .	-	\$ 53,502
<b>Net position:</b>		
Held in trust for scholarships . . . . .	10,813	
Total net position. . . . .	\$ 10,813	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 3
Total additions. . . . .	3
<b>Deductions:</b>	
Scholarships awarded . . . . .	8,148
Change in net position . . . . .	(8,145)
<b>Net position at beginning of year. . . . .</b>	<b>18,958</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 10,813</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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. It currently operates four school buildings staffed by 123 non-certified and 173 certified employees to provide services to 2,161 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

*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 POOLS*

Ohio Association of School Business Officials

The District participates in a retrospective rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. This program is designed to reward participants that are able to keep their claim costs below a predetermined amount. The District pays an individual premium, however they have the opportunity to receive retrospective premium adjustments. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the program.

Mahoning County School Employee Insurance Consortium

The Mahoning County School Employee Insurance Consortium is a shared risk pool comprised of twelve Mahoning County School Districts. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Springfield Local School District. The fiscal agent will then remit the charges for services to Medical Mutual, who acts in the capacity of a third-party administrator (TPA) for claims processing.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*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 deferred outflows and liabilities and deferred inflows are reported as fund balance. The following are the District's major governmental funds:

*General fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Bond retirement fund* - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current deferred outflows and current liabilities and current deferred inflows 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 Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Accrued interest not available, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

1. The Mahoning County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed by the Board of Education.
3. 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.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. 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.
6. 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 year 2014. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.
7. 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 investments" on 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, 2014

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

During fiscal year 2014, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market funds 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.

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$21,342, which includes \$6,658 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide financial statements and the purchases method on the fund financial statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance 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 position, but are not reported in the fund financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>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 the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables" and "due from/due to other funds". These amounts are eliminated in the governmental activities column on the statement of net position.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave 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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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 sick leave 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 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.

**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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Bond Premium and Discount/Accounting Gain or Loss**

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refunding resulting in the defeasance of debt reported on 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. The accounting gain or loss is amortized over the remaining life of the old debt or life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position on the government-wide financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**M. Fund Balance**

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

**R. 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. The District had no extraordinary or special items during fiscal year 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Restatement of Net Position**

The net position at June 30, 2013 has been restated due to a reappraisal of the District's capital assets. The restatement had the following effect on net position as previously reported:

	Governmental Activities
Net position as previously reported	\$ 34,934,588
Restatement of capital assets due to reappraisal	(114,098)
Restated net position at July 1, 2013	\$ 34,820,490

**C. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor fund</u>	<u>Deficit</u>
Entry year programs	\$ 22
Miscellaneous State grants	2,343
IDEA Part-B	7,600
School improvement stimulus A	2,223

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The deficit balances are reported as negative unassigned fund balance on the governmental funds balance sheet.

**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.



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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$219,814. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, the District’s entire bank balance of \$241,966 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 476,783	\$ -	\$ 155,273	\$ -	\$ 189,470	\$ 132,040
FHLMC	800,087	264,939	125,204	-	-	409,944
FNMA	846,749	-	-	-	435,115	411,634
U.S. Treasury note	240,206	-	-	240,206	-	-
USB money market	79,347	79,347	-	-	-	-
STAR Ohio	<u>3,802,171</u>	<u>3,802,171</u>	-	-	-	-
Total	<u>\$ 6,245,343</u>	<u>\$ 4,146,457</u>	<u>\$ 280,477</u>	<u>\$ 240,206</u>	<u>\$ 624,585</u>	<u>\$ 953,618</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Credit Risk:* The District's investments in federal securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in STAR Ohio and U.S. government money market mutual funds carried a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard ratings service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

*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. The federal agency securities and T-notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 476,783	7.63
FHLMC	800,087	12.81
FNMA	846,749	13.56
U.S. Treasury note	240,206	3.85
USB money market	79,347	1.27
STAR Ohio	<u>3,802,171</u>	<u>60.88</u>
Total	<u>\$ 6,245,343</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,401,360
Private-purpose trust fund	10,813
Agency funds	<u>52,984</u>
Total	<u>\$ 6,465,157</u>
<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 219,814
Investments	<u>6,245,343</u>
Total	<u>\$ 6,465,157</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2014 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 48,302</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances at June 30, 2014 as reported on the fund statements include the following amounts due to and due from other funds:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 103,760</u>

The purpose of amounts due to/from other funds is to cover negative cash balances in the nonmajor governmental funds. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the statement of net position.

- C.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Bond retirement	\$ 133,812
Nonmajor governmental funds	<u>44,387</u>
Total	<u>\$ 178,199</u>

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Portage, Columbiana and Mahoning Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$58,429 in the general fund, \$7,868 in the bond retirement fund and \$1,132 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$60,122 in the general fund, \$8,051 in the bond retirement fund and \$1,177 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 216,454,290	94.11	\$ 220,900,190	93.69
Public utility personal	<u>13,558,390</u>	<u>5.89</u>	<u>14,875,380</u>	<u>6.31</u>
Total	<u>\$ 230,012,680</u>	<u>100.00</u>	<u>\$ 235,775,570</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$33.20		\$33.20	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

<b>Governmental activities:</b>	
Taxes	\$ 5,534,410
Accounts	8,910
Intergovernmental	325,943
Accrued interest	<u>2,015</u>
Total	<u>\$ 5,871,278</u>

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

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital assets at June 30, 2013 have been restated as described in Note 3.B. Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Restated Balance <u>6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/14</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 643,930	\$ -	\$ -	\$ 643,930
Total capital assets, not being depreciated	<u>643,930</u>	<u>-</u>	<u>-</u>	<u>643,930</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,578,150	-	-	3,578,150
Building and improvements	49,810,996	-	-	49,810,996
Furniture and equipment	1,510,381	5,162	(40,853)	1,474,690
Vehicles	2,696,019	-	(505,299)	2,190,720
Textbooks and library books	1,039,896	-	-	1,039,896
Total capital assets, being depreciated	<u>58,635,442</u>	<u>5,162</u>	<u>(546,152)</u>	<u>58,094,452</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,917,842)	(155,022)	-	(2,072,864)
Building and improvements	(14,745,843)	(1,528,338)	-	(16,274,181)
Furniture and equipment	(907,645)	(89,928)	38,133	(959,440)
Vehicles	(2,233,921)	(127,658)	502,074	(1,859,505)
Textbooks and library books	(750,347)	(64,344)	-	(814,691)
Total accumulated depreciation	<u>(20,555,598)</u>	<u>(1,965,290)</u>	<u>540,207</u>	<u>(21,980,681)</u>
Governmental activities capital assets, net	<u>\$ 38,723,774</u>	<u>\$ (1,960,128)</u>	<u>\$ (5,945)</u>	<u>\$ 36,757,701</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,631,776
Special instruction	707
Vocational	1,484
<u>Support services:</u>	
Instructional staff	38,245
Operations and maintenance	78,386
Pupil transportation	125,034
Central	1,315
Extracurricular activities	72,391
Food service operations	<u>15,952</u>
Total depreciation expense	<u>\$ 1,965,290</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	Balance 6/30/13	Additions	Reductions	Balance 6/30/14	Amounts Due in One Year
General obligation bonds	\$ 5,552,833	\$ 107,427	\$ (460,000)	\$ 5,200,260	\$ 480,000
Energy conservation bonds	1,296,708	-	(129,670)	1,167,038	129,670
Compensated absences	712,655	57,180	(182,344)	587,491	62,793
Total	\$ 7,562,196	\$ 164,607	\$ (772,014)	6,954,789	\$ 672,463
Add: Unamortized premium on refunding				280,809	
Total on statement of net position				\$ 7,235,598	

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.

**B. General Obligation Bonds**

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 position. The principal balance outstanding of the defeased bonds was \$5,220,000 at June 30, 2014.

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 \$510,265 has been included in the statement of net position at June 30, 2014.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2014 on the 2007 series refunding bonds:

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/14</u>	Amounts Due in <u>One Year</u>
Refunding bonds - series 2007:					
Current interest bonds	\$ 4,885,000	\$ -	\$ (460,000)	\$ 4,425,000	\$ 480,000
Capital appreciation bonds	264,995	-	-	264,995	-
Accreted interest	<u>402,838</u>	<u>107,427</u>	<u>-</u>	<u>510,265</u>	<u>-</u>
Total refunding bonds - series 2007	<u>\$ 5,552,833</u>	<u>\$ 107,427</u>	<u>\$ (460,000)</u>	<u>\$ 5,200,260</u>	<u>\$ 480,000</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.

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

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

Fiscal Year <u>Ending June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 480,000	\$ 167,400	\$ 647,400	\$ -	\$ -	\$ -
2016	-	157,800	157,800	142,070	357,930	500,000
2017	-	157,800	157,800	122,925	377,075	500,000
2018	500,000	147,800	647,800	-	-	-
2019	520,000	127,400	647,400	-	-	-
2020 - 2024	<u>2,925,000</u>	<u>301,700</u>	<u>3,226,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,425,000</u>	<u>\$ 1,059,900</u>	<u>\$ 5,484,900</u>	<u>\$ 264,995</u>	<u>\$ 735,005</u>	<u>\$ 1,000,000</u>

**C. Energy Conservation Improvement Bonds - Series 2010:**

On September 10, 2010, the District issued \$1,556,048 in energy conservation improvement bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 4.67% and are scheduled to mature in fiscal year 2023. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund (a nonmajor governmental fund). The balance of these bonds at June 30, 2014 in the amount of \$1,167,038 has been included on the statement of net position.

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

The following are the District's future annual debt service requirements to amortize the energy conservation improvement bonds outstanding at June 30, 2014:

Fiscal Year	Energy Conservation Improvement Bonds		
	Principal	Interest	Total
2015	\$ 129,670	\$ 51,473	\$ 181,143
2016	129,670	45,417	175,087
2017	129,670	39,362	169,032
2018	129,670	33,306	162,976
2019	129,670	27,251	156,921
2020 - 2023	<u>518,688</u>	<u>48,446</u>	<u>567,134</u>
Total	<u>\$ 1,167,038</u>	<u>\$ 245,255</u>	<u>\$ 1,412,293</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The 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, 2014, are a voted debt margin of \$15,817,412 (including available funds of \$454,644) and an unvoted debt margin of \$235,776.

**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  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 2014, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents - replacement cost - \$81,579,800 - (\$2,500 deductible)

Contents - replacement cost - \$8,225,800 (\$2,500 deductible)

Boiler and Machinery - equipment breakdown - included above - (\$2,500 deductible)

Inland Marine Coverage - \$2,796,000 (\$500 deductible per category)

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

Uninsured Motorists - \$500,000 - limit each accident

General Liability - \$2,000,000 each occurrence / \$4,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years.

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 thirteen 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 offers one health insurance plan with various options. Employee contributions range from 5.5 to 12.8 percent of the premium. The fiscal officer of the Mahoning County School Employee Insurance Consortium 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.

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 District also offers a vision plan. The District pays 90 percent of the premium for the plan and the employees pay 10 percent of the premium of the plan.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$330,470, \$350,183 and \$351,527, respectively; 82.09 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,094,110, \$1,164,130 and \$1,240,578, respectively; 83.42 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$31,049 made by the District and \$24,396 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$49,187, \$44,900 and \$54,351, respectively; 82.09 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$19,172, \$19,781 and \$20,759, respectively; 82.09 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$84,162, \$89,548 and \$95,429, respectively; 83.42 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 689,189
Net adjustment for revenue accruals	78,079
Net adjustment for expenditure accruals	153,426
Net adjustment for other sources/uses	(153,258)
Funds budgeted elsewhere *	43,568
Adjustment for encumbrances	288,952
GAAP basis	\$ 1,099,956

\* Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, rotary, uniform school supplies fund, self insurance fund and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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**

The District is not involved in material litigation as either plaintiff or defendant.

**NOTE 16 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	375,357
Current year qualifying expenditures	(357,105)
Current year offsets	<u>(151,620)</u>
Total	<u>\$ (133,368)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 198,955
Other governmental	<u>33,911</u>
Total	<u>\$ 232,866</u>

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WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Nutrition Cluster:					
National School Lunch Program	10.555	\$349,908	\$26,904	\$349,908	\$26,904
National School Breakfast Program	10.553	42,722		42,722	
<b>Total Nutrition Cluster</b>		<b>392,630</b>	<b>26,904</b>	<b>392,630</b>	<b>26,904</b>
<b>Total U.S. Department of Agriculture</b>		<b>392,630</b>	<b>26,904</b>	<b>392,630</b>	<b>26,904</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education Grants to States					
IDEA-B - 2013	84.027	60,132		36,650	
IDEA-B - 2014	84.027	294,288		406,165	
<b>Total Special Education Cluster</b>		<b>354,420</b>		<b>442,815</b>	
Title I Part A Cluster:					
Grants to Local Educational Agencies					
Title I - 2013	84.010	85,207		40,751	
Title I - 2014	84.010	377,577		423,932	
<b>Total Grants to Local Educational Agencies Cluster</b>		<b>462,784</b>		<b>464,683</b>	
Race to the Top					
ARRA - Race to the Top - 2014	84.395	3,150		3,150	
<b>Total ARRA Race to the Top</b>		<b>3,150</b>		<b>3,150</b>	
Title II-A Improving Teacher Quality					
Title II-A Improving Teacher Quality - 2013	84.367	24,499		5,943	
Title II-A Improving Teacher Quality - 2014		53,467		79,777	
<b>Total Improving Teacher Quality</b>		<b>77,966</b>		<b>85,720</b>	
<b>Total Department of Education</b>		<b>898,320</b>		<b>996,368</b>	
<b>Total Federal Awards Receipts and Expenditures</b>		<b>\$1,290,950</b>	<b>\$26,904</b>	<b>\$1,388,998</b>	<b>\$26,904</b>

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

**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS BETWEEN PROGRAM YEARS**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with Ohio Department of Education's (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using a special cost center for each year's activity, and transferring the amounts the Ohio Department of Education approves between the cost centers. During fiscal year 2014, the District obtained approval for the following transfers:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Transferred from 2013 to 2014</b>
IDEA Part B	84.027	\$6,969.13
Title I School Improvement	84.010	\$2,885.42
Title I	84.010	\$7,632.73
Title II-A	84.367	\$20,108.29



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

West Branch Local School District  
Mahoning County  
14277 Main Street  
Beloit, Ohio 44609

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Branch Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2015.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015



# Dave Yost • Auditor of State

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

West Branch Local School District  
Mahoning County  
14277 Main Street  
Beloit, Ohio 44609

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the West Branch Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the West Branch Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the West Branch Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 20, 2015



**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	<b>Unmodified</b>
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unmodified</b>
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	<b>No</b>
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I (CFDA # 84.010) Special Education Grant to States (CFDA # 84.027)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	<b>Yes</b>

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**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  
MARCH 31, 2015**