

**WEST BRANCH LOCAL
SCHOOL DISTRICT**

MAHONING COUNTY, OHIO

AUDITED BASIC FINANCIAL STATEMENTS

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2004***

KAREN ELSNER, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
West Branch Local School District
Beloit, Ohio

We have reviewed the Independent Auditor's Report of the West Branch Local School District, Mahoning County, prepared by Nagel, Weigand & Company, LLC, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 9, 2005

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WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
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**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
ELECTED OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Elected Official</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
Larry Romigh	President	1/1/02-12/31/05
Samuel Martig	Vice President	1/1/04-12/31/07
Terry Criss	Member	1/1/02-12/31/05
Kim Burkhart	Member	1/1/04-12/31/07
John Wallace	Member	1/1/02-12/31/05

Statutory Legal Counsel:

Kenneth J. Cardinal
Mahoning County Prosecutor
120 Market Street
Youngstown, Ohio 44503

Official Address:

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

(A) William's & Case Insurance Agency, Inc.

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/12/03-1/12/06

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
ADMINISTRATIVE PERSONNEL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>
Louis Ramunno	Superintendent	8/1/02 - 7/31/04
Karen Elsner	Treasurer	1/1/01 - 1/1/05

(A) William's & Case Insurance Agency, Inc.

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/12/03-1/12/06
(A)	\$50,000	1/6/01-1/6/05

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
INDEX OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENTAL FUND TYPES:

General Fund:

General Fund

Special Revenue Funds:

Food Services Fund
Uniform School Supplies Fund
Adult Education
Emergency Levy
Student Activities Athletic Fund
Phonics Demonstration Project Grant
Disadvantaged Pupil Program Fund
Teacher Development Fund
Management Information System Fund
Title VI-B - Special Education: Assistance To States For
Education Of Handicapped Children Fund
Elementary And Secondary Education Act Block Grant:
Title I - Special Educational Needs Of Disadvantaged
Children Fund
Elementary And Secondary Education Act Block Grant:
Title VI - Consolidation Of Federal Programs
For Elementary And Secondary Education Fund
Drug Free Schools Grant Fund
Auxiliary Services Fund
Conflict Management Grant Fund
Schoolnet Grant
Textbook Subsidy Fund
Staff Sunshine Fund
Staff Fund/JH
Staff Fund/KX
Staff Fund/MR

Capital Projects Funds:

Permanent Improvement Fund
Schoolnet Plus
Technology Equity Grant
Ohio School Facilities Grant

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
INDEX OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FIDUCIARY FUND TYPES:

Private - Purpose Trust:

West Trust Fund
Tucker Scholarship Fund
Humeniuk Scholarship Fund
Elva Boyer Scholarship Fund

Agency Fund:

Student Managed Activity Funds

Nagel, Weigand & Company, LLC

Independent Auditor's Report

Board of Education
West Branch Local School District
Beloit, Ohio 44609

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch Local School District, Mahoning County as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch Local School District, Mahoning County, Ohio as of June 30, 2004, and the results of its operations and the changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the West Branch Local School District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

March 31, 2005

Nagel, Weigand & Company, LLC

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$1,922,233 which represents a 4.49% increase from 2003.
- General revenues accounted for \$15,868,961 in revenue or 82.03% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,476,764 or 17.97% of total revenues of \$19,345,725.
- The District had \$17,423,492 in expenses related to governmental activities; \$3,476,764 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 \$15,868,961 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$16,271,340 in revenues and other financing sources and \$16,526,533 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance decreased \$255,193 from \$2,042,469 to \$1,787,276.
- The classroom facilities fund had \$7,634,901 in revenues and \$11,503,914 in expenditures. During fiscal 2004, the classroom facilities fund's fund balance decreased \$3,869,013 from \$16,409,951 to \$12,540,938.

Using the Basic Financial Statements

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 19-20 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 15. 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 the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 21-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. 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, 2004

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 28-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Restated Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 27,488,056	\$ 38,892,225
Capital assets	<u>33,512,062</u>	<u>20,196,296</u>
Total assets	<u>61,000,118</u>	<u>59,088,521</u>
<u>Liabilities</u>		
Current liabilities	6,753,600	6,848,616
Long-term liabilities	<u>9,538,680</u>	<u>9,454,300</u>
Total liabilities	<u>16,292,280</u>	<u>16,302,916</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	25,132,736	11,571,749
Restricted	18,472,686	28,635,031
Unrestricted	<u>1,102,416</u>	<u>2,578,825</u>
Total net assets	<u>\$ 44,707,838</u>	<u>\$ 42,785,605</u>

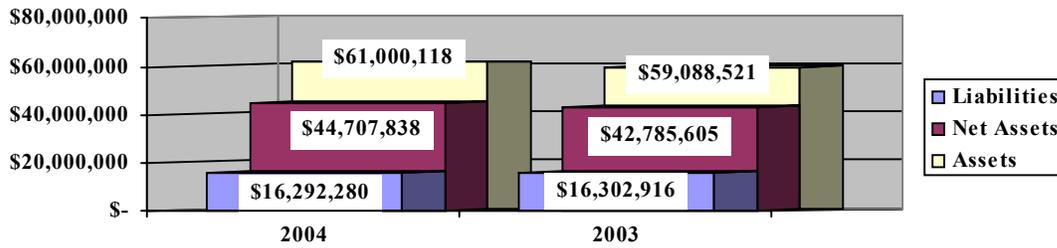
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$44,707,838.

At year-end, capital assets represented 54.94% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, textbooks and library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$25,132,736. 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, 2004**

A portion of the District's net assets, \$18,472,686, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,102,416 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal years 2004 and 2003.

Change in Net Assets

	Governmental Activities 2004	Governmental Activities 2003
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,971,567	\$ 1,699,838
Operating grants and contributions	1,268,822	1,367,161
Capital grants and contributions	236,375	31,017
General revenues:		
Property taxes	4,167,799	4,110,173
Grants and entitlements	11,402,780	11,165,570
Investment earnings	225,897	544,798
Other	72,485	157,748
Total revenues	\$ 19,345,725	\$ 19,076,305

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Change in Net Assets

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,672,621	\$ 8,214,689
Special	1,609,815	1,552,296
Vocational	404,861	491,096
Other	6,396	10,386
Support services:		
Pupil	736,384	685,511
Instructional staff	314,813	863,761
Board of education	64,479	28,097
Administration	1,496,866	1,454,897
Fiscal	395,156	376,888
Operations and maintenance	4,388,991	4,825,477
Pupil transportation	1,646,540	1,469,258
Central	71,022	88,729
Operations of non-instructional services	213,981	262,341
Food service operations	533,255	831,438
Extracurricular activities	443,447	587,364
Interest and fiscal charges	<u>424,865</u>	<u>433,637</u>
Total expenses	<u>17,423,492</u>	<u>22,175,865</u>
Change in net assets	1,922,233	(3,099,560)
Net assets at beginning of year (restated)	<u>42,785,605</u>	<u>45,885,165</u>
Net assets at end of year	<u>\$ 44,707,838</u>	<u>\$ 42,785,605</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,922,233. Total governmental expenses of \$17,423,493 were offset by program revenues of \$3,476,764 and general revenues of \$15,868,961. Program revenues supported 19.95% of the total governmental expenses.

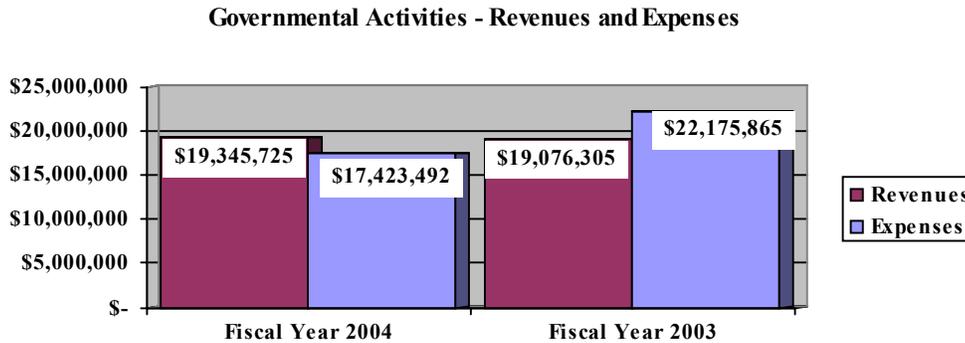
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 80.49% of total governmental revenue. Real estate property is reappraised every six years.

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The District's financial condition has improved in recent years, primarily due to increased financial support from the state. State support has increased by 3% over the last two years. Unfortunately, due to enrollment declines these increases are not projected for the future. The District is projecting a decrease in state funding for future years.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.



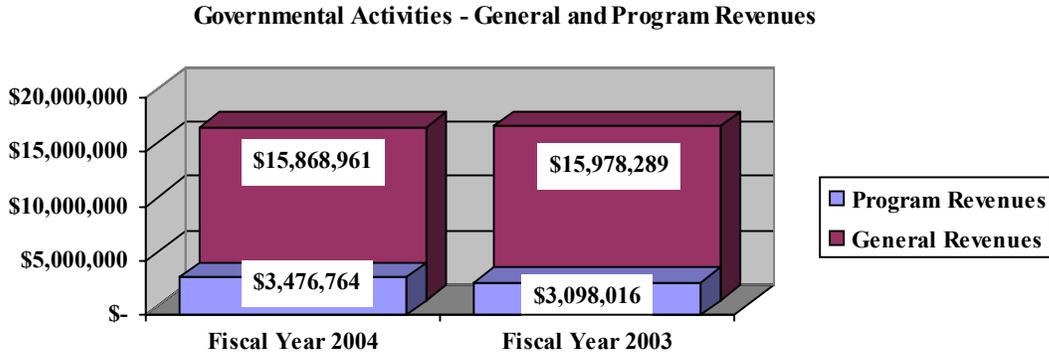
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported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

	Governmental Activities			
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program expenses				
Instruction:				
Regular	\$ 4,672,621	\$ 3,213,189	\$ 8,214,689	\$ 7,175,618
Special	1,609,815	984,206	1,552,296	939,427
Vocational	404,861	404,861	491,096	488,702
Other	6,396	6,396	10,386	10,386
Support services:				
Pupil	736,384	736,017	685,511	671,614
Instructional staff	314,813	190,499	863,761	740,697
Board of education	64,479	64,479	28,097	28,097
Administration	1,496,866	1,380,017	1,454,897	1,335,671
Fiscal	395,156	394,938	376,888	376,888
Operations and maintenance	4,388,991	4,372,878	4,825,477	4,811,040
Pupil transportation	1,646,540	1,646,540	1,469,258	1,468,827
Central	71,022	71,022	88,729	88,729
Operations of non-instructional services	213,981	114,031	262,341	103,443
Food service operations	533,255	(208,271)	831,438	17,077
Extracurricular activities	443,447	151,061	587,364	387,996
Interest and fiscal charges	424,865	424,865	433,637	433,637
Total expenses	<u>\$ 17,423,492</u>	<u>\$ 13,946,728</u>	<u>\$ 22,175,865</u>	<u>\$ 19,077,849</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The dependence upon tax and other general revenues for governmental activities is apparent, 68.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.99%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 21) reported a combined fund balance of \$15,965,861, which is lower than last year's total of \$19,798,925. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$ 1,787,276	\$ 2,042,469	\$ (255,193)
Classroom Facilities	12,540,938	16,409,951	(3,869,013)
Other Governmental	<u>1,637,647</u>	<u>1,346,505</u>	<u>291,142</u>
Total	<u>\$ 15,965,861</u>	<u>\$ 19,798,925</u>	<u>\$ (3,833,064)</u>

General Fund

The District's general fund balance decreased \$255,193. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,456,846	\$ 3,341,192	3.46 %
Tuition	1,023,828	849,472	20.53 %
Earnings on investments	236,089	145,011	62.81 %
Intergovernmental	11,326,812	11,061,369	2.40 %
Other revenues	<u>151,019</u>	<u>219,286</u>	(31.13) %
Total	<u>\$ 16,194,594</u>	<u>\$15,616,330</u>	3.70 %
<u>Expenditures</u>			
Instruction	\$ 9,453,174	\$ 9,091,631	3.98 %
Support services	6,424,029	5,790,897	10.93 %
Operation of non-instructional services	50,290	72,625	(30.75) %
Extracurricular activities	353,324	297,290	18.85 %
Facilities acquisition and construction	<u>3,000</u>	<u>2,750</u>	9.09 %
Total	<u>\$ 16,283,817</u>	<u>\$15,255,193</u>	6.74 %

Classroom Facilities

During fiscal year 2004, the District's classroom facilities fund balance decreased \$3,869,013 which is due to the continued construction costs associated with buildings. The classroom facilities fund had \$7,634,901 in revenues and \$11,503,914 in expenditures.

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 2004, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$16,277,798, which was increased from the original budgeted revenues estimate of \$16,107,301. Actual revenues and other financing sources for fiscal 2004 was \$16,284,459. This represents a \$6,661 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,922,910 were increased to \$16,952,171 in the final budget. Actual expenditures plus other financing uses for fiscal year 2004 were \$16,827,711, which is less than the final budgeted amount by \$124,460.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$33,512,062 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and library books, and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

	Capital Assets at June 30 (Net of Depreciation)	
	Governmental Activities	
	<u>2004</u>	<u>2003</u>
Land	\$ 683,200	\$ 683,200
Land improvements	1,931,350	796,610
Building and improvements	28,709,480	977,440
Furniture and equipment	993,908	335,184
Vehicles	610,107	838,860
Textbooks and library books	584,017	7,188
Construction in progress	<u>-</u>	<u>16,557,814</u>
Total	<u>\$ 33,512,062</u>	<u>\$ 20,196,296</u>

Total additions to capital assets for 2004 were \$13,758,573 and total disposals were \$442,849 (net of accumulated depreciation). These additions and deletions do not include \$25,859,852 of Construction in progress that was reclassified as Building and Improvements during the fiscal year. The CIP amount was not actual additions and deletions but rather just a reclassification of amounts already included as capital assets. The District had \$975,958 in depreciation expense for the 2004 fiscal year.

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

Debt Administration

At June 30, 2004, the District had \$8,379,326 in general obligation bonds outstanding. Of this total, \$295,000 is due within one year and \$8,084,326 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2004</u>	<u>2003</u>
General obligation bonds:		
School improvement	<u>\$ 8,379,326</u>	<u>\$ 8,624,547</u>
Total	<u>\$ 8,379,326</u>	<u>\$ 8,624,547</u>

At June 30, 2004, the District's legal voted debt margin was \$25,270,091, with an unvoted debt margin of \$181,990.

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Current Financial Related Activities

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

The first challenge, with only modest growth in the District and reduced state funding, is the rapidly diminishing cash balance. There will have to be cuts in operating expenditures to make up this shortfall or ask for dramatically more money to operate. The state recognizes the low level of millage in the District and provides Charge-Off Supplement (Gap) aid. Additional millage would have to first compensate for approximately 4.5 mills of Charge-Off Supplement before more operating dollars will be realized.

The next challenge facing the District is the rapid decline in enrollment over the past several years, especially if these declines continue. These declines are impacting our state funding as the District receives funding based on enrollment. The enrollment declines are a threat to our operation as we know it today.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future state funding and on its financial operations.

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

Contacting the District's Financial Management

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

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 12,927,273
Investments	5,268,546
Receivables:	
Taxes	4,732,435
Accounts	28,740
Intergovernmental	4,433,686
Accrued interest	11,350
Prepayments	49,859
Materials and supplies inventory	36,167
Capital assets:	
Land	683,200
Depreciable capital assets, net.	32,828,862
Capital assets, net	33,512,062
 Total assets.	 61,000,118
Liabilities:	
Accounts payable.	95,524
Contracts payable.	16,787
Accrued wages and benefits	2,228,728
Pension obligation payable.	400,995
Intergovernmental payable	50,038
Deferred revenue	3,929,860
Accrued interest payable	31,668
Long-term liabilities:	
Due within one year.	407,575
Due within more than one year	9,131,105
Total liabilities	16,292,280
Net Assets:	
Invested in capital assets, net of related debt.	25,132,736
Restricted for:	
Capital projects	17,687,590
Debt service.	328,105
Other purposes	456,991
Unrestricted.	1,102,416
Total net assets	\$ 44,707,838

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, 2004**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 4,672,621	\$ 1,079,054	\$ 144,003	\$ 236,375	\$ (3,213,189)
Special	1,609,815	-	625,609	-	(984,206)
Vocational	404,861	-	-	-	(404,861)
Other	6,396	-	-	-	(6,396)
Support services:					
Pupil	736,384	-	367	-	(736,017)
Instructional staff	314,813	-	124,314	-	(190,499)
Board of education	64,479	-	-	-	(64,479)
Administration	1,496,866	108,054	8,795	-	(1,380,017)
Fiscal	395,156	-	218	-	(394,938)
Operations and maintenance	4,388,991	-	16,113	-	(4,372,878)
Pupil transportation	1,646,540	-	-	-	(1,646,540)
Central	71,022	-	-	-	(71,022)
Operation of non-instructional	213,981	825	99,125	-	(114,031)
Food service operations	533,255	491,248	250,278	-	208,271
Extracurricular activities	443,447	292,386	-	-	(151,061)
Interest and fiscal charges	424,865	-	-	-	(424,865)
Total governmental activities	<u>\$ 17,423,492</u>	<u>\$ 1,971,567</u>	<u>\$ 1,268,822</u>	<u>\$ 236,375</u>	<u>(13,946,728)</u>
General Revenues:					
Property taxes levied for:					
General purposes					3,458,537
Special revenue					78,798
Debt service					630,464
Grants and entitlements not restricted to specific programs					11,222,780
Grants and entitlements restricted to Ohio					
School Facilities Construction					180,000
Investment earnings					225,897
Miscellaneous					72,485
Total general revenues					<u>15,868,961</u>
Change in net assets					1,922,233
Net assets at beginning of year (restated) . . .					<u>42,785,605</u>
Net assets at end of year					<u>\$ 44,707,838</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,918,003	\$ 7,279,899	\$ 1,653,659	\$ 12,851,561
Investments	-	5,268,546	-	5,268,546
Receivables:				
Taxes	3,922,489	-	809,946	4,732,435
Accounts	27,048	-	1,692	28,740
Intergovernmental	34,854	4,132,856	265,976	4,433,686
Accrued interest	-	11,350	-	11,350
Interfund loans	122,110	-	-	122,110
Prepayments	40,579	9,280	-	49,859
Materials and supplies inventory	-	-	36,167	36,167
Restricted assets:				
Equity in pooled cash and cash equivalents	75,712	-	-	75,712
Total assets	<u>\$ 8,140,795</u>	<u>\$ 16,701,931</u>	<u>\$ 2,767,440</u>	<u>\$ 27,610,166</u>
Liabilities:				
Accounts payable	\$ 73,875	\$ -	\$ 21,649	\$ 95,524
Contracts payable	-	16,787	-	16,787
Accrued wages and benefits	2,065,190	-	163,538	2,228,728
Compensated absences payable	46,649	-	-	46,649
Pension obligation payable	229,476	-	21,376	250,852
Intergovernmental payable	46,963	-	3,075	50,038
Interfund loans payable	-	-	122,110	122,110
Deferred revenue	3,891,366	4,144,206	798,045	8,833,617
Total liabilities	<u>6,353,519</u>	<u>4,160,993</u>	<u>1,129,793</u>	<u>11,644,305</u>
Fund Balances:				
Reserved for encumbrances	226,922	963,403	43,288	1,233,613
Reserved for materials and supplies inventory	-	-	36,167	36,167
Reserved for prepayments	40,579	9,280	-	49,859
Reserved for property tax unavailable for appropriation	31,123	-	11,901	43,024
Reserved for debt service	-	-	256,168	256,168
Reserved for budget stabilization	75,712	-	-	75,712
Unreserved, undesignated, reported in:				
General fund	1,412,940	-	-	1,412,940
Special revenue funds	-	-	472,077	472,077
Capital projects funds	-	11,568,255	818,046	12,386,301
Total fund balances	<u>1,787,276</u>	<u>12,540,938</u>	<u>1,637,647</u>	<u>15,965,861</u>
Total liabilities and fund balances	<u>\$ 8,140,795</u>	<u>\$ 16,701,931</u>	<u>\$ 2,767,440</u>	<u>\$ 27,610,166</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	15,965,861
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			33,512,062
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	579,551		
Intergovernmental revenue	4,312,856		
Accrued interest	11,350		
Total			4,903,757
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	1,112,705		
Pension obligation payable	150,143		
General obligation bonds payable	8,379,326		
Accrued interest payable	31,668		
Total			(9,673,842)
Net assets of governmental activities		\$	44,707,838

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, 2004

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 3,456,846	\$ -	\$ 702,381	\$ 4,159,227
Tuition	1,023,828	-	-	1,023,828
Charges for services	-	-	491,248	491,248
Earnings on investments	236,089	279,201	1,578	516,868
Extracurricular	23,388	-	310,810	334,198
Classroom materials and fees	20,119	-	-	20,119
Other local revenues	104,857	700	66,447	172,004
Other revenue	2,655	-	-	2,655
Intergovernmental - State	11,281,208	7,355,000	320,422	18,956,630
Intergovernmental - Federal	45,604	-	1,154,592	1,200,196
Total revenue	<u>16,194,594</u>	<u>7,634,901</u>	<u>3,047,478</u>	<u>26,876,973</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,079,109	-	235,278	8,314,387
Special	940,986	-	621,883	1,562,869
Vocational	426,683	-	-	426,683
Other	6,396	-	-	6,396
Support services:				
Pupil	685,136	-	13,992	699,128
Instructional staff	575,208	-	120,372	695,580
Board of education	64,479	-	-	64,479
Administration	1,401,484	-	117,752	1,519,236
Fiscal	379,055	-	13,927	392,982
Operations and maintenance	1,818,023	1,200	86,857	1,906,080
Pupil transportation	1,394,919	-	-	1,394,919
Central	105,725	-	-	105,725
Operation of non-instructional services	50,290	-	175,705	225,995
Food service operations	-	-	686,952	686,952
Extracurricular activities	353,324	-	245,506	598,830
Facilities acquisition and construction	3,000	11,502,714	17,136	11,522,850
Debt service:				
Principal retirement	-	-	280,000	280,000
Interest and fiscal charges	-	-	391,511	391,511
Total expenditures	<u>16,283,817</u>	<u>11,503,914</u>	<u>3,006,871</u>	<u>30,794,602</u>
Excess of revenues under expenditures	<u>(89,223)</u>	<u>(3,869,013)</u>	<u>40,607</u>	<u>(3,917,629)</u>
Other financing sources (uses):				
Transfers in	-	-	242,716	242,716
Transfers (out)	(242,716)	-	-	(242,716)
Proceeds from sale of capital assets	76,746	-	-	76,746
Total other financing sources	<u>(165,970)</u>	<u>-</u>	<u>242,716</u>	<u>76,746</u>
Net change in fund balances	(255,193)	(3,869,013)	283,323	(3,840,883)
Fund balances at beginning of year	2,042,469	16,409,951	1,346,505	19,798,925
Increase in reserve for inventory	-	-	7,819	7,819
Fund balances at end of year	<u>\$ 1,787,276</u>	<u>\$ 12,540,938</u>	<u>\$ 1,637,647</u>	<u>\$ 15,965,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	(3,840,883)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$14,734,573) exceed depreciation expense (\$975,958) in the current period.		13,758,615
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(442,849)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		7,819
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(7,531,248)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		280,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and therefore requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and accreted interest on the capital appreciation bonds		(33,354)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(275,867)
Change in net assets of governmental activities	\$	<u>1,922,233</u>

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,423,936	\$ 3,460,178	\$ 3,461,594	\$ 1,416
Tuition	993,075	1,003,586	1,003,997	411
Earnings on investments	258,329	261,063	261,170	107
Classroom materials and fees	19,431	19,637	19,645	8
Extracurricular	23,134	23,378	23,388	10
Other local revenues	101,794	102,872	102,914	42
Other revenue	2,611	2,639	2,640	1
Intergovernmental - State	11,150,714	11,268,745	11,273,356	4,611
Intergovernmental - Federal	25,063	25,329	25,339	10
Total revenue	<u>15,998,087</u>	<u>16,167,427</u>	<u>16,174,043</u>	<u>6,616</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,085,607	8,099,588	8,040,121	59,467
Special	945,600	947,235	940,281	6,954
Vocational	460,250	461,046	457,661	3,385
Other	6,432	6,443	6,396	47
Support services:				
Pupil	687,836	689,026	683,967	5,059
Instructional staff	583,373	584,381	580,091	4,290
Board of education	65,940	66,054	65,569	485
Administration	1,461,068	1,463,594	1,452,849	10,745
Fiscal	377,436	378,089	375,313	2,776
Operations and maintenance	1,867,529	1,870,758	1,857,023	13,735
Pupil transportation	1,517,255	1,519,879	1,508,720	11,159
Central	70,213	70,334	69,818	516
Operation of non-instructional services	108,023	108,209	107,415	794
Extracurricular activities	313,480	314,023	311,717	2,306
Facilities acquisition and construction	3,017	3,022	3,000	22
Total expenditures	<u>16,553,059</u>	<u>16,581,681</u>	<u>16,459,941</u>	<u>121,740</u>
Excess of revenues over (under) expenditures	<u>(554,972)</u>	<u>(414,254)</u>	<u>(285,898)</u>	<u>128,356</u>
Other financing sources (uses):				
Refund of prior year expenditure	30,416	30,738	30,751	13
Transfers in	2,888	2,919	2,920	1
Transfers (out)	(247,026)	(247,453)	(245,636)	1,817
Advances (out)	(122,800)	(123,012)	(122,109)	903
Proceeds from sale of capital assets	75,910	76,714	76,745	31
Refund of prior year (receipts)	-	(25)	(25)	-
Total other financing sources (uses)	<u>(260,612)</u>	<u>(260,119)</u>	<u>(257,354)</u>	<u>2,765</u>
Net change in fund balance	(815,584)	(674,373)	(543,252)	131,121
Fund balance at beginning of year	3,949,351	3,949,351	3,949,351	-
Prior year encumbrances appropriated	324,386	324,386	324,386	-
Fund balance at end of year	<u>\$ 3,458,153</u>	<u>\$ 3,599,364</u>	<u>\$ 3,730,485</u>	<u>\$ 131,121</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 21,006	\$ 30,929
Total assets	21,006	\$ 30,929
Liabilities:		
Accounts payable	-	\$ 2,677
Intergovernmental payable	-	568
Due to students	-	27,684
Total liabilities	-	\$ 30,929
Net Assets:		
Held in trust for scholarships	21,006	
Total net assets	\$ 21,006	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 220
Total additions.	220
Deductions:	
Scholarships awarded	1,251
Change in net assets	(1,031)
Net assets at beginning of year	22,037
Net assets at end of year.	\$ 21,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The West Branch Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the “Board”) elected by its citizens. The District ranks as the 216th largest by enrollment among the 613 public school districts in the state. It currently operates six school buildings staffed by 107 non-certified and 166 certified employees to provide services to 2,410 students in grades K through 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations’ government 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 have access to the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, is jointly governed by 24 districts within Mahoning and Columbiana counties. ACCESS is governed by an assembly consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the assembly. Members of ACCESS are assessed annual user fees and periodic capital improvement fees based on their average daily membership. During fiscal year 2004, the District paid \$74,905 to ACCESS for computer services. 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 2801 Market Street, Youngstown, Ohio 44507-1693.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

Classroom Facilities Fund - The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation 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 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the 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 in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004. All amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2004, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earning 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 2004 amounted to \$236,089, which includes \$130,403 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 Treasurer's investment account at year-end is provided in Note 4.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, 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 "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, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

L. Fund Reserves

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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. Nonpublic School

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

A prior period adjustment is required to properly state capital assets at June 30, 2003, due to a reappraisal and errors and omissions reported in prior years. This restatement had the following effect on net assets at June 30, 2003:

	<u>Governmental Activities</u>
Net assets as previously reported	\$ 42,992,425
Restatement for capital assets	<u>(206,820)</u>
Net assets, restated at July 1, 2003	<u>\$ 42,785,605</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information System	\$ 30
DPIA	29
SchoolNet	6
Intervention Restricted Funds	14,523
Title VI-B	11,899
Title VI	9
Class Size Reduction	4,193

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. 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 results from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,327,718 and the bank balance was \$7,463,337. These balances included \$3,299,786 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$400,000 was covered by federal depository insurance or surety company bonds deposited with the District; and

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

2. \$7,063,337 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreements	\$ -	\$ 728,378	\$ 728,378	\$ 728,378
Federal agency securities	<u>1,968,786</u>	<u>-</u>	1,968,760	1,968,760
Total	<u>\$ 1,968,786</u>	<u>\$ 728,378</u>		
Investment in STAR Ohio			<u>8,222,898</u>	<u>8,222,898</u>
Total investments			<u>\$ 10,920,036</u>	<u>\$ 10,920,036</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 12,979,208	\$ 5,268,546
Investments of the cash management pool:		
Repurchase agreements	(728,378)	728,378
Investment in STAR Ohio	(8,222,898)	8,222,898
Certificates of deposit	<u>3,299,786</u>	<u>(3,299,786)</u>
GASB Statement No. 3	<u>\$ 7,327,718</u>	<u>\$ 10,920,036</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 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	\$ 122,110

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; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from General Fund to:	
Nonmajor Governmental Funds	\$ 242,716

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) 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 will be eliminated on the government-wide financials.

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning, Portage and Columbiana Counties. These 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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 revenue.

The amount available as an advance at June 30, 2004 was \$31,123 in the general fund, \$10,303 in the debt service fund, and \$1,598 in the facilities maintenance special revenue fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$32,564 in the general fund, \$10,992 in the debt service fund, and \$1,365 in the facilities maintenance special revenue fund.

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

	2003 Second		2004 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 157,659,690	88.52	\$ 162,243,330	89.15
Public utility personal	12,563,140	7.05	12,190,420	6.70
Tangible personal property	<u>7,896,750</u>	<u>4.43</u>	<u>7,555,952</u>	<u>4.15</u>
Total	<u>\$ 178,119,580</u>	<u>100.00</u>	<u>\$ 181,989,702</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.45		\$ 36.45	

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 4,732,435
Accounts	28,740
Accrued interest	11,350
Intergovernmental	<u>4,433,686</u>
Total	<u>\$ 9,206,211</u>

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to a reappraisal and errors and omissions reported in prior years:

	Balance <u>6/30/03</u>	<u>Adjustments</u>	Restated Balance <u>6/30/03</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 683,200	\$ -	\$ 683,200
Construction in progress	<u>16,557,814</u>	<u>-</u>	<u>16,557,814</u>
Total capital assets, not being depreciated	<u>17,241,014</u>	<u>-</u>	<u>17,241,014</u>
Capital assets, being depreciated:			
Land improvements	1,851,666	(19,987)	1,831,679
Building and improvements	4,564,869	(36,705)	4,528,164
Furniture and equipment	2,149,485	(1,174,778)	974,707
Textbooks and library books	615,517	(374,657)	240,860
Vehicles	<u>1,862,552</u>	<u>600,587</u>	<u>2,463,139</u>
Total capital assets, being depreciated	<u>11,044,089</u>	<u>(1,005,540)</u>	<u>10,038,549</u>
Less: accumulated depreciation:	<u>(7,881,987)</u>	<u>798,720</u>	<u>(7,083,267)</u>
Governmental activities capital assets, net	<u>\$ 20,403,116</u>	<u>\$ (206,820)</u>	<u>\$ 20,196,296</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/04</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 683,200	\$ -	\$ -	\$ 683,200
Construction in progress	<u>16,557,814</u>	<u>9,032,038</u>	<u>(25,589,852)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>17,241,014</u>	<u>9,032,038</u>	<u>(25,589,852)</u>	<u>683,200</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,831,679	1,274,247	(369,809)	2,736,117
Building and improvements	4,528,164	28,448,008	(1,236,240)	31,739,932
Furniture and equipment	974,707	933,022	(557,276)	1,350,453
Textbooks and library books	240,860	637,110	-	877,970
Vehicles	<u>2,463,139</u>	<u>-</u>	<u>-</u>	<u>2,463,139</u>
Total capital assets, being depreciated	<u>10,038,549</u>	<u>31,292,387</u>	<u>(2,163,325)</u>	<u>39,167,611</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,035,069)	(85,654)	315,956	(804,767)
Building and improvements	(3,550,724)	(516,882)	1,037,154	(3,030,452)
Furniture and equipment	(639,523)	(84,388)	367,366	(356,545)
Textbooks and library books	(233,672)	(60,281)	-	(293,953)
Vehicles	<u>(1,624,279)</u>	<u>(228,753)</u>	<u>-</u>	<u>(1,853,032)</u>
Total accumulated depreciation	<u>(7,083,267)</u>	<u>(975,958)</u>	<u>1,720,476</u>	<u>(6,338,749)</u>
Governmental activities capital assets, net	<u>\$ 20,196,296</u>	<u>\$ 39,348,467</u>	<u>\$ (26,032,701)</u>	<u>\$ 33,512,062</u>

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>			
Regular		\$	612,868
Vocational			1,526
 <u>Support Services:</u>			
Pupil			10,999
Instructional staff			42,171
Administration			2,390
Fiscal			396
Pupil transportation			231,678
Central			2,593
Extracurricular activities			64,499
Food service operations			<u>6,838</u>
 Total depreciation expense		 \$	 <u>975,958</u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amounts
	Rate	Outstanding	Additions	Reductions	Outstanding	Due in
		06/30/03			06/30/04	One Year
Governmental Activities:						
General obligation bonds	5.10%	\$ 8,624,547	\$ 34,779	\$ (280,000)	\$ 8,379,326	\$ 295,000
Compensated absences		<u>829,753</u>	<u>487,748</u>	<u>(158,147)</u>	<u>1,159,354</u>	<u>112,575</u>
 Total long-term obligations, governmental activities		 <u>\$ 9,454,300</u>	 <u>\$ 522,527</u>	 <u>\$ (438,147)</u>	 <u>\$ 9,538,680</u>	 <u>\$ 407,575</u>

B. General Obligation Bonds

On June 15, 2001, the District issued \$8,949,999 in general obligation bonds (Series 2001, Classroom Facilities Improvement Bonds), which represent the District's share of a construction and renovation project approved and significantly funded by the Ohio School Facilities Commission (OSFC) has awarded the District a \$36,916,969 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are a general obligation of the District, for which the full faith and credit of the District is pledged for repayment. Payments of principle and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 4.0 (average) mill bonded debt tax levy.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The general obligation bonds were issued to pay the local share of school construction under the OSFC Program (the "Project"), including construction of two elementary schools to house grade K-5, construction of a new K-8 school, renovations and additions to the existing high school to house grades 9 - 12, abandonment and possible demolition of the existing Damascus and Knox Elementary Schools.

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

This issue is comprised of current interest term bonds, par value \$6,350,000, serial bonds, par value \$2,235,000, and capital appreciation bonds, par value \$720,000. The capital appreciation bonds mature each December 1, 2009 and December 1, 2010, (effective interest 8.4199%, on both bonds) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value at June 30, 2004 was \$344,999. The total accreted interest was \$94,327 at June 30, 2004. The current interest bonds maturing on or after December 1, 2017 are subject to early redemption at the sole option of the District, at a redemption price equal to 100% of par plus accrued interest.

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

The following is a schedule of activity for fiscal 2004 on the general obligation bonds:

	Balance <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/04</u>
Current interest bonds	\$ 8,220,000	\$ -	\$ (280,000)	\$ 7,940,000
Capital appreciation bonds	344,999	-	-	344,999
Accreted interest	<u>59,548</u>	<u>34,779</u>	<u>-</u>	<u>94,327</u>
Total G.O. bonds	<u>\$ 8,624,547</u>	<u>\$ 34,779</u>	<u>\$ (280,000)</u>	<u>\$ 8,379,326</u>

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 295,000	\$ 380,011	\$ 675,011	\$ -	\$ -	\$ -
2006	300,000	368,111	668,111	-	-	-
2007	320,000	355,711	675,711	-	-	-
2008	330,000	342,711	672,711	-	-	-
2009	345,000	328,952	673,952	-	-	-
2010 - 2014	1,130,000	1,525,966	2,655,966	720,000	-	720,000
2015 - 2019	2,290,000	1,051,151	3,341,151	-	-	-
2020 - 2024	<u>2,930,000</u>	<u>390,269</u>	<u>3,320,269</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,940,000</u>	<u>\$ 4,742,882</u>	<u>\$ 12,682,882</u>	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 720,000</u>

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$25,270,091 (including available funds of \$266,471) and an unvoted debt margin of \$181,990.

NOTE 10 - COMPENSATED ASBSENCES

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.

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 2004, 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 - \$31,852,419 (\$5,000 deductible)

Inland Machine Coverage - \$2,444,769 (\$500 deductible)

Boiler and Machinery - \$8,478,000 (\$1,000 deductible)

Automobile Liability - \$1,000,000 and \$1,000,000 excess

Uninsured Motorists - \$50,000

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

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

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 11 - RISK MANAGEMENT - (Continued)

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 14 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 Consortium is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 are covered by the consortium's stop-loss carrier, July 1, 2003, Trans America.

The District offers one plan, paid at 100%. A dental plan is also available at 93%. Healthcare is administered by PRM; dental coverage is administered by Coresource. The fiscal officer of the COG is the Treasurer of the Austintown City School District. The fiscal agent pays PMR monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$311,064, \$292,675, and \$271,573, respectively; 43.75% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$174,960, represents the unpaid contribution for fiscal year 2004.

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,139,948, \$1,098,584, and \$1,042,281, respectively; 83.11% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$192,532 represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$81,425 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$158,691 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (543,252)
Net adjustment for revenue accruals	20,551
Net adjustment for expenditure accrals	(87,106)
Net adjustment for other sources/uses	91,384
Adjustment for encumbrances	263,230
GAAP basis	\$ (255,193)

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 a party to legal proceedings that will have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...”. The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30,2003	\$ (141,642)	\$ (10,819,241)	\$ 75,712
Current year set-aside requirement	346,069	346,069	-
Current year offset	-	(207,080)	-
Qualifying disbursements	<u>(509,078)</u>	<u>(290,356)</u>	<u>-</u>
Total	<u>\$ (304,651)</u>	<u>\$ (10,970,608)</u>	<u>\$ 75,712</u>
Balance carried forward to FY 2005	<u>\$ (304,651)</u>	<u>\$ (10,970,608)</u>	<u>\$ 75,712</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook reserve and the capital acquisition reserve.

A schedule of the governmental fund restricted assets at June 30, 2004 follows:

Amount restricted for budget stabilization	<u>\$ 75,712</u>
Total restricted assets	<u>\$ 75,712</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Sub-Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Balance 7/1/03	Federal Receipts	Advances In/(Out)	Federal Disbursements	Balance 6/30/04
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Passed through Ohio Department of Education								
Title I	84.010	048389-C1-S1-03 048389-C1-S1-04	\$ 425,482 377,811	\$ 20,623 -	\$ 59,811 266,701	\$ - 22,250	\$ 80,434 288,951	\$ - -
Total Title I				20,623	326,512	22,250	369,385	-
Title VI-B	84.027	048389-6B-SF-03 048389-6B-SF-04	\$ 250,947 310,407	12,845 -	- 210,548	- 99,860	12,845 310,408	- -
Total Title-VI-B				12,845	210,548	99,860	323,253	-
Title V	84.298	048389-C2-S1-03 048389-C2-S1-04	\$ 13,654 13,872	330 -	- 13,867	- -	330 13,867	- -
Total Title V				330	13,867	-	14,197	-
Drug Free Schools Grant	84.186	048389-DR-S1-03 048389-DR-S1-04	\$ 17,068 15,049	10,036 -	- 15,049	- -	10,036 14,304	- 745
Total Drug Free Schools Grant				10,036	15,049	-	24,340	745
Class Size Reduction Grant	84.340	048389-CR-S1-03 048389-CR-S1-04	\$ 118,122 111,386	6,922 -	14,038 111,317	- -	20,960 98,717	- 12,600
Total Class Size Reduction Grant				6,922	125,355	-	119,677	12,600
Title II - D	84.318	048389-TJ-S1-04	\$ 10,181	-	10,181	-	10,181	-
Total U.S. Department of Education				50,756	701,512	122,110	861,033	13,345

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Sub-Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Balance 7/1/03	Federal Receipts	Transfers In/Out	Federal Disbursements	Balance 6/30/04
<u>U.S. DEPARTMENT OF AGRICULTURE</u>								
Passed through Ohio Department of Education								
Nutrition Cluster:								
National School Lunch Program(B)	10.555	-	-	-	177,476	-	177,476	-
National School Breakfast Program	10.553	-	-	-	6,569	-	6,569	-
Food Distribution Program (C)	10.550	-	-	<u>20,171</u>	<u>96,388</u>	<u>-</u>	<u>111,895</u>	<u>4,664</u>
Total U.S. Department of Agriculture				<u>20,171</u>	<u>280,433</u>	<u>-</u>	<u>295,940</u>	<u>4,664</u>
(A) Total Federal Financial Assistance				<u>\$ 70,927</u>	<u>\$ 981,945</u>	<u>\$ 122,110</u>	<u>\$ 1,156,973</u>	<u>\$ 18,009</u>

- (A) Schedule is presented on the cash basis of accounting. Federal Financial Assistance is determined to be on the First In, First Out basis.
(B) Commingled with state and local revenue from the sale of lunches.
(C) Amounts represent noncash assistance received.

Nagel, Weigand & Company, LLC

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
West Branch Local School District
Beloit, Ohio 44609

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch Local School District, Mahoning County as of and for the year ended June 30, 2004, and have issued our report thereon date March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial that we have reported to Management of the District, in a separate letter dated March 31, 2005.

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

March 31, 2005

Nagel, Weigand & Company, LLC

Nagel, Weigand & Company, LLC

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

Board of Education
West Branch Local School District
Beloit, Ohio 44609

Compliance

We have audited the compliance of the West Branch Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the West Branch Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

March 31, 2005

Nagel, Weigand & Company, LLC

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on basic financial statements of the West Branch Local School District.
2. No reportable conditions were disclosed during the audit of the financial statements of the West Branch Local School District.
3. No instances of noncompliance material to the financial statements of the West Branch Local School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the West Branch Local School District expresses an unqualified opinion.
6. No audit findings relative to the major programs for the West Branch Local School District were disclosed during the audit.
7. The program tested as major included: Title I (84.010) and Title VI-B (84.027).
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. West Branch Local School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
GENERAL COMMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on March 31, 2005:

Karen Elsner	Treasurer
Larry Romigh	Board President
Kim Burkhart	Board Member

These officials were informed that they had sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

School District personnel were very cooperative and available for questions and assistance during regular working hours.



**Auditor of State
Betty Montgomery**

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**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
JUNE 21, 2005**