

**West Branch Local School  
District**

*Audited Financial Statements*

*June 30, 2005*





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the West Branch Local School District, Mahoning County, prepared by Rea & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 3, 2006

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**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**JUNE 30, 2005**

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**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**JUNE 30, 2005**

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**Rea & Associates, Inc.**  
ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2005

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

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch Local School District (the "School District"), Mahoning County, Ohio as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the West Branch Local School District, Mahoning County, Ohio as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated December 15, 2005, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of the 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 the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

West Branch Local School District  
Independent Accountants' Report  
December 15, 2005  
Page 2

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for 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. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Hea & Associates, Inc.*

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The management's discussion and analysis of the West Branch Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities decreased \$767,574 which represents a 1.72% decrease from 2004.
- General revenues accounted for \$15,375,255 in revenue or 79.47% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$3,972,801 or 20.53% of total revenues of \$19,348,056.
- The District had \$20,115,630 in expenses related to governmental activities; \$3,972,801 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 \$15,375,255 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$16,289,549 in revenues and other financing sources and \$16,905,386 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance decreased \$615,837 from \$1,664,161 to \$1,048,324.
- The classroom facilities fund had \$3,237,956 in revenues and other financing sources and \$15,329,734 in expenditures. During fiscal 2005, the classroom facilities fund's fund balance decreased \$12,091,778 from \$12,540,938 to \$449,160.

**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, 2005  
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**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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and 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 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 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 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 12,526,415	\$ 27,488,056
Capital assets	<u>48,002,384</u>	<u>33,512,062</u>
Total assets	<u>60,528,799</u>	<u>61,000,118</u>
<b><u>Liabilities</u></b>		
Current liabilities	7,242,130	6,753,600
Long-term liabilities	<u>9,346,405</u>	<u>9,538,680</u>
Total liabilities	<u>16,588,535</u>	<u>16,292,280</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	40,144,479	25,132,736
Restricted	3,752,614	18,472,686
Unrestricted	<u>43,171</u>	<u>1,102,416</u>
Total net assets	<u>\$ 43,940,264</u>	<u>\$ 44,707,838</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$43,940,264.

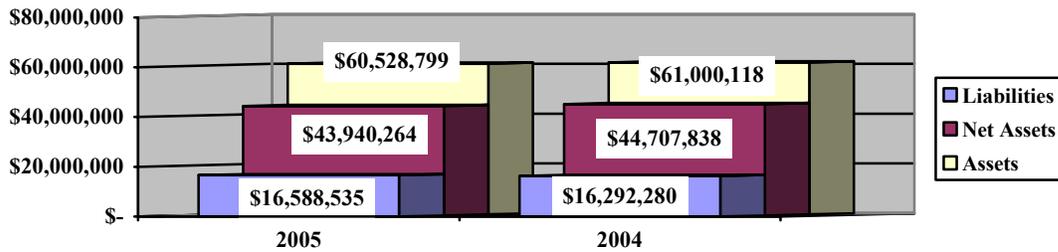
At year-end, capital assets represented 79.31% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, textbooks and library books, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$40,144,479. 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  
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A portion of the District's net assets, \$3,752,614, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$43,171 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 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,977,334	\$ 1,971,567
Operating grants and contributions	1,995,467	1,268,822
Capital grants and contributions	-	236,375
General revenues:		
Property taxes	4,288,128	4,167,799
Grants and entitlements	10,714,208	11,402,780
Investment earnings	273,867	225,897
Other	99,052	72,485
Total revenues	<u>19,348,056</u>	<u>19,345,725</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,967,112	\$ 4,672,621
Special	1,810,196	1,609,815
Vocational	451,415	404,861
Other	55,011	6,396
Support services:		
Pupil	769,940	736,384
Instructional staff	782,618	314,813
Board of education	41,384	64,479
Administration	1,470,208	1,496,866
Fiscal	431,844	395,156
Operations and maintenance	1,838,598	4,388,991
Pupil transportation	1,519,900	1,646,540
Central	76,520	71,022
Operations of non-instructional services	142,017	213,981
Food service operations	732,563	533,255
Extracurricular activities	609,518	443,447
Interest and fiscal charges	<u>416,786</u>	<u>424,865</u>
Total expenses	<u>20,115,630</u>	<u>17,423,492</u>
Change in net assets	(767,574)	1,922,233
Net assets at beginning of year	<u>44,707,838</u>	<u>42,785,605</u>
Net assets at end of year	<u>\$ 43,940,264</u>	<u>\$ 44,707,838</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$767,574. Total governmental expenses of \$20,115,630 were offset by program revenues of \$3,972,801 and general revenues of \$15,375,255. Program revenues supported 19.75% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These two revenue sources represent 77.54% 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.

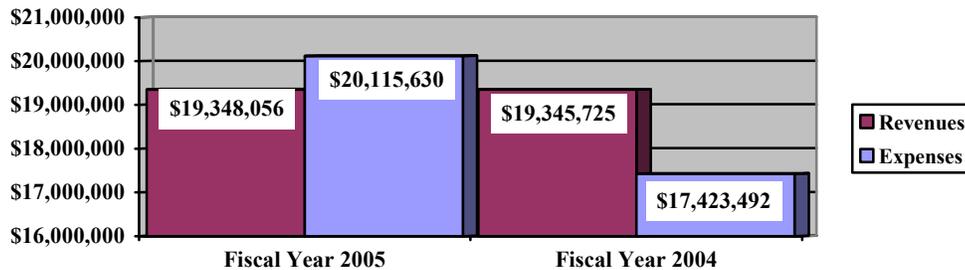
**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,967,112	\$ 7,702,607	\$ 4,672,621	\$ 3,213,189
Special	1,810,196	659,874	1,609,815	984,206
Vocational	451,415	267,005	404,861	404,861
Other	55,011	55,011	6,396	6,396
Support services:				
Pupil	769,940	736,805	736,384	736,017
Instructional staff	782,618	652,129	314,813	190,499
Board of education	41,384	41,384	64,479	64,479
Administration	1,470,208	1,325,793	1,496,866	1,380,017
Fiscal	431,844	431,844	395,156	394,938
Operations and maintenance	1,838,598	1,823,125	4,388,991	4,372,878
Pupil transportation	1,519,900	1,519,900	1,646,540	1,646,540
Central	76,520	58,520	71,022	71,022
Operations of non-instructional services	142,017	54,211	213,981	114,031
Food service operations	732,563	(25,966)	533,255	(208,271)
Extracurricular activities	609,518	423,801	443,447	151,061
Interest and fiscal charges	416,786	416,786	424,865	424,865
<b>Total expenses</b>	<u>\$ 20,115,630</u>	<u>\$ 16,142,829</u>	<u>\$ 17,423,492</u>	<u>\$ 13,946,728</u>

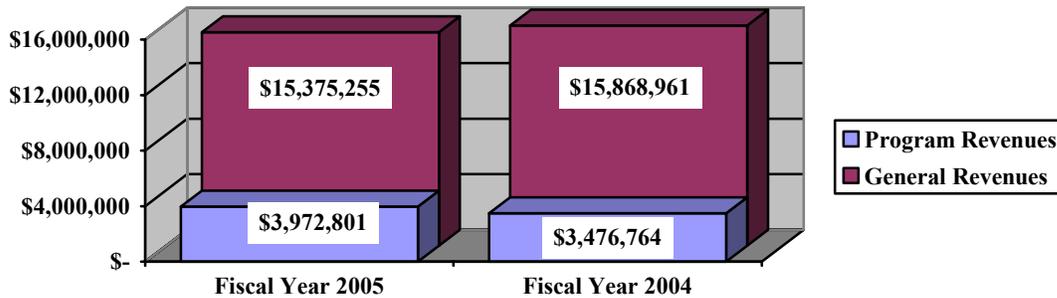
**WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The dependence upon tax and other general revenues for governmental activities is apparent, 76.96% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.25%. 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 2005 and 2004.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$3,029,364, which is lower than last year's total of \$15,815,718. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	<u>(Decrease)</u>
General	\$ 1,048,324	\$ 1,664,161	\$ (615,837)
Classroom Facilities	449,160	12,540,938	(12,091,778)
Other Governmental	<u>1,531,880</u>	<u>1,610,619</u>	<u>(78,739)</u>
Total	<u>\$ 3,029,364</u>	<u>\$ 15,815,718</u>	<u>\$ (12,786,354)</u>

**General Fund**

The District's general fund balance decreased \$615,837. 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  
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	<u>2005</u> <u>Amount</u>	<u>Restated</u> <u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,579,741	\$ 3,456,846	3.56 %
Tuition	1,039,366	1,023,828	1.52 %
Earnings on investments	116,188	236,089	(50.79) %
Intergovernmental	11,424,349	11,326,812	0.86 %
Other revenues	<u>129,623</u>	<u>151,019</u>	(14.17) %
Total	<u>\$ 16,289,267</u>	<u>\$16,194,594</u>	0.58 %
<b><u>Expenditures</u></b>			
Instruction	\$ 9,679,773	\$ 9,453,174	2.40 %
Support services	6,286,887	6,542,206	(3.90) %
Operation of non-instructional services	46,475	55,228	(15.85) %
Extracurricular activities	310,550	353,324	(12.11) %
Facilities acquisition and construction	<u>25,165</u>	<u>3,000</u>	738.83 %
Total	<u>\$ 16,348,850</u>	<u>\$16,406,932</u>	(0.35) %

***Classroom Facilities***

During fiscal year 2005, the District's classroom facilities fund balance decreased \$12,091,778 which is due to the continued construction costs associated with buildings. The classroom facilities fund had \$3,237,956 in revenues and other financing sources and \$15,329,734 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 2005, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$16,461,645 which was increased from the original budgeted revenues estimate of \$16,200,343. Actual revenues and other financing sources for fiscal 2005 was \$16,461,645. This represents no change over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$17,256,058 were increased to \$17,638,935 in the final budget. Actual expenditures plus other financing uses for fiscal year 2005 were \$17,401,878, which is less than the final budgeted amount by \$237,057.

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$48,002,384 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 2005 balances compared to 2004:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 683,200	\$ 683,200
Land improvements	1,813,840	1,931,350
Building and improvements	27,724,627	28,709,480
Furniture and equipment	888,822	993,908
Vehicles	524,443	610,107
Textbooks and library books	477,832	584,017
Construction in progress	<u>15,889,620</u>	<u>-</u>
Total	<u>\$ 48,002,384</u>	<u>\$ 33,512,062</u>

Total additions to capital assets for 2005 were \$16,006,578 and total disposals were \$9,150 (net of accumulated depreciation). The District had \$1,507,106 in depreciation expense for the 2005 fiscal year.

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

***Debt Administration***

At June 30, 2005, the District had \$8,122,093 in general obligation bonds outstanding. Of this total, \$300,000 is due within one year and \$7,822,093 is due within greater than one year. The following table summarizes the bonds outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2005</u>	<u>2004</u>
General obligation bonds:		
School improvement	<u>\$ 8,122,093</u>	<u>\$ 8,379,326</u>
Total	<u>\$ 8,122,093</u>	<u>\$ 8,379,326</u>

At June 30, 2005, the District's legal voted debt margin was \$9,295,396 with an unvoted debt margin of \$190,149.

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, 2005  
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**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, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments. . . . .	\$ 5,833,450
Receivables:	
Taxes . . . . .	4,841,599
Accounts . . . . .	3,287
Intergovernmental . . . . .	1,771,832
Accrued interest . . . . .	7,795
Prepayments . . . . .	39,181
Materials and supplies inventory . . . . .	29,271
Capital assets:	
Land . . . . .	683,200
Construction in progress. . . . .	15,889,620
Depreciable capital assets, net. . . . .	31,429,564
Capital assets, net . . . . .	48,002,384
 Total assets. . . . .	 60,528,799
 <b>Liabilities:</b>	
Accounts payable. . . . .	35,041
Contracts payable. . . . .	574,263
Accrued wages and benefits . . . . .	1,844,726
Pension obligation payable. . . . .	401,447
Intergovernmental payable . . . . .	117,680
Deferred revenue . . . . .	4,238,297
Accrued interest payable . . . . .	30,676
Long-term liabilities:	
Due within one year. . . . .	465,143
Due within more than one year . . . . .	8,881,262
 Total liabilities . . . . .	 16,588,535
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	40,144,479
Restricted for:	
Capital projects . . . . .	2,794,661
Debt service. . . . .	356,845
Classroom facilities maintenance . . . . .	272,847
Locally funded programs . . . . .	1,628
State funded programs. . . . .	32,137
Federally funded programs . . . . .	386
Student activities . . . . .	68,363
Other purposes . . . . .	225,747
Unrestricted. . . . .	43,171
 Total net assets . . . . .	 \$ 43,940,264

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, 2005

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,967,112	\$ 1,136,834	\$ 127,671	\$ (7,702,607)
Special . . . . .	1,810,196	-	1,150,322	(659,874)
Vocational . . . . .	451,415	-	184,410	(267,005)
Other . . . . .	55,011	-	-	(55,011)
Support services:				
Pupil . . . . .	769,940	-	33,135	(736,805)
Instructional staff . . . . .	782,618	-	130,489	(652,129)
Board of education . . . . .	41,384	-	-	(41,384)
Administration . . . . .	1,470,208	136,843	7,572	(1,325,793)
Fiscal . . . . .	431,844	-	-	(431,844)
Operations and maintenance . . . . .	1,838,598	3,147	12,326	(1,823,125)
Pupil transportation . . . . .	1,519,900	-	-	(1,519,900)
Central . . . . .	76,520	-	18,000	(58,520)
Operation of non-instructional services:				
Food service operations . . . . .	732,563	514,793	243,736	25,966
Other non-instructional services . . . . .	142,017	-	87,806	(54,211)
Extracurricular activities . . . . .	609,518	185,717	-	(423,801)
Interest and fiscal charges . . . . .	416,786	-	-	(416,786)
Total governmental activities . . . . .	<u>\$ 20,115,630</u>	<u>\$ 1,977,334</u>	<u>\$ 1,995,467</u>	<u>(16,142,829)</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				3,575,310
Special revenue . . . . .				77,247
Debt service . . . . .				635,571
Grants and entitlements not restricted				
to specific programs . . . . .				10,714,208
Investment earnings . . . . .				273,867
Miscellaneous . . . . .				99,052
Total general revenues . . . . .				<u>15,375,255</u>
Change in net assets . . . . .				(767,574)
<b>Net assets at beginning of year . . . . .</b>				<u>44,707,838</u>
<b>Net assets at end of year . . . . .</b>				<u>\$ 43,940,264</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 3,140,715	\$ 1,022,213	\$ 1,594,810	\$ 5,757,738
Receivables:				
Taxes . . . . .	4,021,845	-	819,754	4,841,599
Accounts . . . . .	1,354	-	1,933	3,287
Intergovernmental . . . . .	8,967	1,667,060	95,805	1,771,832
Accrued interest . . . . .	14	7,781	-	7,795
Prepayments . . . . .	37,971	1,210	-	39,181
Materials and supplies inventory . . . . .	-	-	29,271	29,271
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	75,712	-	-	75,712
<b>Total assets . . . . .</b>	<b><u>\$ 7,286,578</u></b>	<b><u>\$ 2,698,264</u></b>	<b><u>\$ 2,541,573</u></b>	<b><u>\$ 12,526,415</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 32,320	\$ -	\$ 2,721	\$ 35,041
Contracts payable . . . . .	-	574,263	-	574,263
Accrued wages and benefits . . . . .	1,694,389	-	150,337	1,844,726
Compensated absences payable . . . . .	46,252	-	-	46,252
Pension obligation payable . . . . .	366,965	-	34,482	401,447
Intergovernmental payable . . . . .	109,185	-	8,495	117,680
Deferred revenue . . . . .	3,989,143	1,674,841	813,658	6,477,642
<b>Total liabilities . . . . .</b>	<b><u>6,238,254</u></b>	<b><u>2,249,104</u></b>	<b><u>1,009,693</u></b>	<b><u>9,497,051</u></b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	160,225	2,700,599	41,048	2,901,872
Reserved for materials and supplies inventory . . . . .	-	-	29,271	29,271
Reserved for prepayments . . . . .	37,971	1,210	-	39,181
Reserved for property tax unavailable for appropriation . . . . .	31,564	-	6,805	38,369
Reserved for debt service . . . . .	-	-	297,925	297,925
Reserved for budget stabilization . . . . .	75,712	-	-	75,712
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	742,852	-	-	742,852
Special revenue funds . . . . .	-	-	486,171	486,171
Capital projects funds . . . . .	-	(2,252,649)	670,660	(1,581,989)
<b>Total fund balances . . . . .</b>	<b><u>1,048,324</u></b>	<b><u>449,160</u></b>	<b><u>1,531,880</u></b>	<b><u>3,029,364</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 7,286,578</u></b>	<b><u>\$ 2,698,264</u></b>	<b><u>\$ 2,541,573</u></b>	<b><u>\$ 12,526,415</u></b>

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, 2005

<b>Total governmental fund balances</b>		\$	3,029,364
<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.			48,002,384
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	563,795	
Intergovernmental revenue		1,667,769	
Accrued interest		7,781	
Total			2,239,345
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(30,676)
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		1,178,060	
General obligation bonds payable		8,122,093	
Total			(9,300,153)
<b>Net assets of governmental activities</b>		\$	43,940,264

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, 2005

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,579,741	\$ -	\$ 724,143	\$ 4,303,884
Tuition. . . . .	1,039,366	-	-	1,039,366
Charges for services. . . . .	-	-	514,793	514,793
Earnings on investments. . . . .	116,188	157,302	3,946	277,436
Extracurricular. . . . .	5,705	-	318,325	324,030
Classroom materials and fees . . . . .	4,269	-	36,611	40,880
Other local revenues. . . . .	119,649	9,400	24,973	154,022
Intergovernmental - Intermediate . . . . .	3,016	-	-	3,016
Intergovernmental - State. . . . .	11,393,846	2,465,796	288,502	14,148,144
Intergovernmental - Federal . . . . .	27,487	-	1,179,131	1,206,618
Total revenue . . . . .	<u>16,289,267</u>	<u>2,632,498</u>	<u>3,090,424</u>	<u>22,012,189</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,144,566	-	158,012	8,302,578
Special. . . . .	1,033,727	-	754,143	1,787,870
Vocational. . . . .	446,469	-	1,628	448,097
Other. . . . .	55,011	-	-	55,011
Support services:				
Pupil. . . . .	709,774	-	38,196	747,970
Instructional staff . . . . .	600,421	-	115,814	716,235
Board of education . . . . .	41,384	-	-	41,384
Administration. . . . .	1,310,092	-	153,274	1,463,366
Fiscal . . . . .	383,575	-	14,652	398,227
Operations and maintenance. . . . .	1,760,994	-	64,574	1,825,568
Pupil transportation . . . . .	1,430,806	-	-	1,430,806
Central. . . . .	49,841	-	18,000	67,841
Operation of non-instructional services:				
Food service operations . . . . .	-	-	728,951	728,951
Other non-instructional services. . . . .	46,475	-	94,057	140,532
Extracurricular activities. . . . .	310,550	-	229,639	540,189
Facilities acquisition and construction . . . . .	25,165	15,329,734	67,391	15,422,290
Debt service:				
Principal retirement . . . . .	-	-	295,000	295,000
Interest and fiscal charges . . . . .	-	-	380,011	380,011
Total expenditures . . . . .	<u>16,348,850</u>	<u>15,329,734</u>	<u>3,113,342</u>	<u>34,791,926</u>
Excess of revenues under expenditures . . . . .	<u>(59,583)</u>	<u>(12,697,236)</u>	<u>(22,918)</u>	<u>(12,779,737)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	3	605,458	556,536	1,161,997
Transfers (out) . . . . .	(556,536)	-	(605,461)	(1,161,997)
Sale of capital assets . . . . .	279	-	-	279
Total other financing sources (uses) . . . . .	<u>(556,254)</u>	<u>605,458</u>	<u>(48,925)</u>	<u>279</u>
Net change in fund balances . . . . .	(615,837)	(12,091,778)	(71,843)	(12,779,458)
<b>Fund balances</b>				
at beginning of year (restated). . . . .	1,664,161	12,540,938	1,610,619	15,815,718
Decrease in reserve for inventory . . . . .	-	-	(6,896)	(6,896)
Fund balances at end of year. . . . .	<u>\$ 1,048,324</u>	<u>\$ 449,160</u>	<u>\$ 1,531,880</u>	<u>\$ 3,029,364</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, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	(12,779,458)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 16,006,578	
Depreciation expense	<u>(1,507,106)</u>	
Total		14,499,472
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Disposals	(81,207)	
Accumulated depreciation on disposals	<u>72,057</u>	
Total		(9,150)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(6,896)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(15,756)	
Intergovernmental	(2,645,087)	
Accrued interest	<u>(3,569)</u>	
Total		(2,664,412)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		295,000
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		
		(36,775)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(65,355)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(767,574)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,521,363	\$ 3,578,162	\$ 3,578,162	\$ -
Tuition . . . . .	1,042,383	1,059,196	1,059,196	-
Earnings on investments . . . . .	114,330	116,174	116,174	-
Classroom materials and fees . . . . .	4,490	4,562	4,562	-
Extracurricular . . . . .	5,614	5,705	5,705	-
Other local revenues . . . . .	118,601	120,514	120,514	-
Intergovernmental - Intermediate . . . . .	2,983	3,031	3,031	-
Intergovernmental - State . . . . .	11,215,488	11,396,387	11,396,387	-
Intergovernmental - Federal . . . . .	50,025	50,832	50,832	-
Total revenue . . . . .	<u>16,075,277</u>	<u>16,334,563</u>	<u>16,334,563</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,331,406	8,516,263	8,401,809	114,454
Special . . . . .	1,044,101	1,067,267	1,052,924	14,343
Vocational . . . . .	421,974	431,337	425,540	5,797
Other . . . . .	55,083	56,305	55,548	757
Support services:				
Pupil . . . . .	714,418	730,269	720,455	9,814
Instructional staff . . . . .	615,639	629,299	620,842	8,457
Board of education . . . . .	37,661	38,497	37,980	517
Administration . . . . .	1,335,191	1,364,816	1,346,474	18,342
Fiscal . . . . .	391,011	399,687	394,315	5,372
Operations and maintenance . . . . .	1,833,159	1,873,833	1,848,650	25,183
Pupil transportation . . . . .	1,466,264	1,498,797	1,478,654	20,143
Central . . . . .	56,172	57,418	56,646	772
Operation of non-instructional services . . . . .	46,679	47,715	47,074	641
Extracurricular activities . . . . .	330,340	337,670	333,132	4,538
Facilities acquisition and construction . . . . .	25,087	25,644	25,299	345
Total expenditures . . . . .	<u>16,704,185</u>	<u>17,074,817</u>	<u>16,845,342</u>	<u>229,475</u>
Excess of revenues over (under) expenditures . . . . .	<u>(628,908)</u>	<u>(740,254)</u>	<u>(510,779)</u>	<u>229,475</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	4,545	4,618	4,618	-
Transfers in . . . . .	74	75	75	-
Transfers (out) . . . . .	(551,873)	(564,118)	(556,536)	7,582
Advances in . . . . .	120,172	122,110	122,110	-
Sale of capital assets . . . . .	275	279	279	-
Total other financing sources (uses) . . . . .	<u>(426,807)</u>	<u>(437,036)</u>	<u>(429,454)</u>	<u>7,582</u>
Net change in fund balance . . . . .	(1,055,715)	(1,177,290)	(940,233)	237,057
<b>Fund balance at beginning of year . . . . .</b>	<b>3,730,485</b>	<b>3,730,485</b>	<b>3,730,485</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>263,230</b>	<b>263,230</b>	<b>263,230</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,938,000</u></b>	<b><u>\$ 2,816,425</u></b>	<b><u>\$ 3,053,482</u></b>	<b><u>\$ 237,057</u></b>

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, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$ 20,937	\$ 27,204
Receivables:		
Accounts . . . . .	-	365
Total assets . . . . .	20,937	\$ 27,569
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 1,588
Due to students . . . . .	-	25,981
Total liabilities . . . . .	-	\$ 27,569
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	20,937	
Total net assets . . . . .	\$ 20,937	

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, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 431
Total additions. . . . .	431
<b>Deductions:</b>	
Scholarships awarded . . . . .	500
Change in net assets . . . . .	(69)
<b>Net assets at beginning of year . . . . .</b>	<b>21,006</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 20,937</b>

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, 2005

**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 215<sup>th</sup> largest by enrollment among the 613 public school districts in the state. It currently operates six school buildings staffed by 111 non-certified and 164 certified employees to provide services to 2,433 students in grades K through 12.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 2005, the District paid \$56,598 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 100 DeBartolo Place, Youngstown, Ohio 44512-7019.

Mahoning County Career & Technology Center

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

*PUBLIC ENTITY RISK POOL*

Ohio Association of School Business Officials

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 2005

**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, 2005, but which were levied to finance fiscal year 2006 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, 2005

**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 original and final Amended Certificates issued for fiscal year 2005.
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005. 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 2005, investments were limited to overnight repurchase agreements, 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 2005. 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, 2005.

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 2005 amounted to \$116,188, which includes \$33,289 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<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, 2005

**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, 2005, 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, 2005

**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, debt service, 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, 2005

**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 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principals**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)**

	<u>General</u>	Classroom <u>Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 1,787,276	\$ 12,540,938	\$ 1,637,647	\$ 15,965,861
GASB Technical Bulletin No. 2004-2	<u>(123,115)</u>	<u>-</u>	<u>(27,028)</u>	<u>(150,143)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 1,664,161</u>	<u>\$ 12,540,938</u>	<u>\$ 1,610,619</u>	<u>\$ 15,815,718</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Management Information Systems	\$ 99
Entry Year Programs	32
SchoolNet	29
Summer Intervention	323
Title I	22,398
Drug Free School Grant	80
Class-Size Reduction	2,885
Miscellaneous Federal Grants	8

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 result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$589,693, exclusive of the \$832,572 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$819,188 of the District's bank balance of \$1,019,189 was exposed to custodial risk as discussed below, while \$200,001 was covered by Federal Deposit Insurance Corporation.

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

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Repurchase Agreement	\$ 832,572	\$ 832,572	\$ -
FNMA	1,972,500	-	1,972,500
STAR Ohio	2,486,826	2,486,826	-
	<u>\$ 5,291,898</u>	<u>\$ 3,319,398</u>	<u>\$ 1,972,500</u>

The weighted average maturity of investments is .30 years.

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

*Credit Risk:* The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 832,572	15.73
FNMA	1,972,500	37.27
STAR Ohio	<u>2,486,826</u>	<u>47.00</u>
	<u>\$ 5,291,898</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 589,693
Investments	<u>5,291,898</u>
Total	<u>\$ 5,881,591</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 5,833,450
Private-purpose trust funds	20,937
Agency funds	<u>27,204</u>
Total	<u>\$ 5,881,591</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from General Fund to: Nonmajor Governmental Funds	\$ 556,536
Transfers to General Fund from: Nonmajor Governmental Funds	3
Transfers to Major Governmental Funds from: Nonmajor Governmental Funds	605,458

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 5 - INTERFUND TRANSACTIONS – (Continued)**

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

The amount available as an advance at June 30, 2005 was \$31,564 in the general fund, \$6,076 in the debt service fund, and \$729 in the classroom facilities maintenance special revenue fund. This amount has been recorded as 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 classroom 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.

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 162,243,330	89.15	\$ 170,873,180	89.87
Public utility personal	12,190,420	6.70	12,003,220	6.32
Tangible personal property	<u>7,555,952</u>	<u>4.15</u>	<u>7,272,686</u>	<u>3.81</u>
Total	<u>\$ 181,989,702</u>	<u>100.00</u>	<u>\$ 190,149,086</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.45		\$ 36.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 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	\$ 4,841,599
Accounts	3,287
Accrued interest	7,795
Intergovernmental	<u>1,771,832</u>
Total	<u>\$ 6,624,513</u>

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

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 683,200	\$ -	\$ -	\$ 683,200
Construction in progress	-	15,889,620	-	15,889,620
Total capital assets, not being depreciated	<u>683,200</u>	<u>15,889,620</u>	<u>-</u>	<u>16,572,820</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,736,117	-	-	2,736,117
Building and improvements	31,739,932	-	(19,794)	31,720,138
Furniture and equipment	1,350,453	5,132	(5,499)	1,350,086
Textbooks and library books	877,970	-	-	877,970
Vehicles	<u>2,463,139</u>	<u>111,826</u>	<u>(55,914)</u>	<u>2,519,051</u>
Total capital assets, being depreciated	<u>39,167,611</u>	<u>116,958</u>	<u>(81,207)</u>	<u>39,203,362</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(804,767)	(117,510)	-	(922,277)
Building and improvements	(3,030,452)	(980,102)	15,043	(3,995,511)
Furniture and equipment	(356,545)	(105,819)	1,100	(461,264)
Textbooks and library books	(293,953)	(106,185)	-	(400,138)
Vehicles	<u>(1,853,032)</u>	<u>(197,490)</u>	<u>55,914</u>	<u>(1,994,608)</u>
Total accumulated depreciation	<u>(6,338,749)</u>	<u>(1,507,106)</u>	<u>72,057</u>	<u>(7,773,798)</u>
Governmental activities capital assets, net	<u>\$ 33,512,062</u>	<u>\$ 14,499,472</u>	<u>\$ (9,150)</u>	<u>\$ 48,002,384</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,126,203
Vocational	2,455
 <u>Support Services:</u>	
Pupil	12,422
Instructional staff	73,449
Administration	6,463
Fiscal	397
Operations and maintenance	171
Pupil transportation	200,415
Central	4,280
Extracurricular activities	69,329
Food service operations	<u>11,522</u>
 Total depreciation expense	 <u>\$ 1,507,106</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Interest	Balance			Balance	Amounts
	Rate	Outstanding	Additions	Reductions	Outstanding	Due in
		06/30/04			06/30/05	One Year
<b>Governmental Activities:</b>						
General obligation bonds	5.10%	\$ 8,379,326	\$ 37,767	\$ (295,000)	\$ 8,122,093	\$ 300,000
Compensated absences		<u>1,159,354</u>	<u>195,238</u>	<u>(130,280)</u>	<u>1,224,312</u>	<u>165,143</u>
Total long-term obligations, governmental activities		<u>\$ 9,538,680</u>	<u>\$ 233,005</u>	<u>\$ (425,280)</u>	<u>\$ 9,346,405</u>	<u>\$ 465,143</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, 2005

**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, 2005 was \$344,999. The total accreted interest was \$132,094 at June 30, 2005. 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 2005 on the general obligation bonds:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/05</u>
Current interest bonds	\$ 7,940,000	\$ -	\$ (295,000)	\$ 7,645,000
Capital appreciation bonds	344,999	-	-	344,999
Accreted interest	<u>94,327</u>	<u>37,767</u>	<u>-</u>	<u>132,094</u>
Total G.O. bonds	<u>\$ 8,379,326</u>	<u>\$ 37,767</u>	<u>\$ (295,000)</u>	<u>\$ 8,122,093</u>

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

Year Ended	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	321,793	321,793	179,608	180,392	360,000
2011 - 2015	1,545,000	1,459,091	3,004,091	165,391	194,609	360,000
2016 - 2020	2,405,000	932,814	3,337,814	-	-	-
2021 - 2024	<u>2,400,000</u>	<u>253,688</u>	<u>2,653,688</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,645,000</u>	<u>\$ 4,362,871</u>	<u>\$ 12,007,871</u>	<u>\$ 344,999</u>	<u>\$ 375,001</u>	<u>\$ 720,000</u>

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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, 2005 are a voted debt margin of \$9,295,396 (including available funds of \$304,001) and an unvoted debt margin of \$190,149.

**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 2005, 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, 2005

**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 District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 are covered by the District's stop-loss carrier, 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 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 43215-3746, 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$320,928, \$311,064 and \$292,675, respectively; 44.21% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$179,052 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**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 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 2005 and 2004, 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 for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,199,431, \$1,139,948, and \$1,098,584, respectively; 84.27% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$188,688 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$7,701 made by the District and \$11,674 made by plan members.

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through 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 fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$85,674 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), 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 fiscal year 2005, employer contributions to fund health care benefits were 3.43% 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 2005, the minimum pay has been established at \$27,400. 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 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) 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 \$112,130 during the 2005 fiscal year.

**WEST BRANCH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (940,233)
Net adjustment for revenue accruals	(45,296)
Net adjustment for expenditure accruals	333,547
Net adjustment for other sources/uses	(126,800)
Adjustment for encumbrances	162,945
GAAP basis	\$ (615,837)

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 15 – CONTINGENCIES – (Continued)**

**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.

**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, 2005, 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, 2004	\$ (304,651)	\$ (10,970,608)	\$ 75,712
Current year set-aside requirement	314,196	314,196	-
Current year offset	-	(661,425)	-
Qualifying disbursements	<u>(365,791)</u>	<u>(271,148)</u>	<u>-</u>
Total	<u>\$ (356,246)</u>	<u>\$ (11,588,985)</u>	<u>\$ 75,712</u>
Balance carried forward to FY 2006	<u>\$ (356,246)</u>	<u>\$ (10,970,608)</u>	<u>\$ 75,712</u>

The School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 16 - STATUTORY RESERVES – (Continued)**

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

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

**NOTE 17 – CONTRACTUAL COMMITMENTS**

As of June 30, 2005, the School District has commitments with the following companies for construction of the new Damascus and Knox elementary schools.

	<u>Contract Amount</u>	<u>Amount Paid as of June 30, 2005</u>	<u>Amount Remaining on Contract</u>
Stitle Construction	\$ 4,543,102	\$ 3,991,515	\$ 551,587
Hilscher-Clarke Electric	596,116	550,600	45,516
Prout Boiler, Heating & Welding	498,617	438,851	59,766
York Mahoning Mechanical	2,324,000	2,238,323	85,677
RWJ Construction	277,946	200,460	77,486
Hudson Construction	4,264,475	3,443,552	820,923
Santon Electric	603,998	441,929	162,069
Ellyson Plumbing & Heating	376,235	319,328	56,907
Soda Construction	435,900	371,154	64,746
Midwest Service	278,700	81,667	197,033
NEC Unified Solutions	604,973	13,622	591,351
Total	<u>\$ 14,804,062</u>	<u>\$ 12,091,001</u>	<u>\$ 2,713,061</u>

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2005

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Branch Local School District (the "School District") as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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.

### Compliance and Other Matters

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

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2005

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

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

### Compliance

We have audited the compliance of the West Branch Local School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

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

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

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

*Hea & Associates, Inc.*

WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Title 1, Part A, ESEA						
Elementary and Secondary Education Act	84.010	C1-S1 2004	\$ 107,372		\$ 107,372	
		C1-S1 2005	<u>295,643</u>		<u>292,150</u>	
Total Title 1, Part A, ESEA			403,015		399,522	
Special Education Grants to States						
	84.027	6B-SF 2004	99,860		99,860	
		6B-SF 2005	<u>464,288</u>		<u>450,857</u>	
Total Special Education Grants to States			564,148		550,717	
Innovative Education Program Strategies						
	84.298	C2-S1 2005	10,335		10,335	
Safe, Drug-Free Schools & Communities Act Grant						
	84.186	DR-S1 2004	0		745	
		DR-S1 2005	<u>12,513</u>		<u>12,513</u>	
Total Drug Free Schools Grant			12,513		13,258	
Title II-A Class Size Reduction						
	84.340	TR-S1 2004	0		12,600	
		TR-S1 2005	<u>96,863</u>		<u>96,709</u>	
Total Class Size Reduction Grant			96,863		109,309	
Title II-D Technology Grant						
	84.340	TJ-S1 2005	9,036		9,036	
Parents Who Host						
	84.230		<u>0</u>		<u>625</u>	
Total U. S. Department of Education			<u>1,095,910</u>		<u>1,092,802</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Passed through Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program - Community Alternative Funding System (CAFS)						
	93.778	FY 2005	26,814		26,814	
Medical Assistance Program - State Children's Health Insurance Program (SCHIP)						
	93.767	FY 2005	<u>3,310</u>		<u>3,310</u>	
Total U.S. Department of Health and Human Services			<u>30,124</u>		<u>30,124</u>	
U. S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program						
	10.550	FY05		\$ 81,685		\$ 81,685
National School Breakfast Program						
	10.553	05-PU-2005	8,178		8,178	
National School Lunch Program						
	10.555	LL-P4 2005	<u>238,106</u>		<u>238,106</u>	
Total US Department of Agriculture - Nutrition Cluster			<u>246,284</u>	<u>81,685</u>	<u>246,284</u>	<u>81,685</u>
Total Federal Financial Assistance			<u>\$ 1,372,318</u>	<u>\$ 81,685</u>	<u>\$ 1,369,210</u>	<u>\$ 81,685</u>

WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2005

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 2005, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

WEST BRANCH LOCAL SCHOOL DISTRICT  
MAHONING COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2005

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

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>NONE</b>	
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<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>NONE</b>	
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**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  
MARCH 16, 2006**