

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

DANIEL TELZROW, TREASURER



Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the West Branch Local School District, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2012

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the West Branch Local School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the West Branch Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Branch Local 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, its major fund, and the aggregate remaining fund information of the West Branch Local School District, Mahoning County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the West Branch Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the West Branch Local 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the West Branch Local School District's basic financial statements taken as a whole. The schedule of receipts and expenditures of federal awards provides additional information required by the 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. The schedule of receipts and expenditures of federal awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$1,537,642 which represents a 3.87% decrease from 2010.
- General revenues accounted for \$16,130,087 in revenue or 69.83% of all revenues. Program specific revenue in the form of charges for services and sales, grants and contributions accounted for \$6,969,012 or 30.17% of total revenues of \$23,099,099.
- The District had \$24,636,741 in expenses related to governmental activities; \$6,969,012 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,130,087 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,141,201 in revenues and other financing sources and \$18,648,231 in expenditures and other financing uses. During fiscal 2011, the general fund's fund balance decreased \$507,030 from a restated fund balance of \$1,987,160 to \$1,480,130.

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 one major fund: the general fund.

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 2011?" 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. 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 only major governmental fund is the general fund.

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-53 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 13,262,779	\$ 12,492,600
Capital assets, net	<u>41,853,000</u>	<u>42,647,572</u>
Total assets	<u>55,115,779</u>	<u>55,140,172</u>
<u>Liabilities</u>		
Current liabilities	7,938,661	7,706,907
Long-term liabilities	<u>8,961,928</u>	<u>7,680,433</u>
Total liabilities	<u>16,900,589</u>	<u>15,387,340</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	34,179,342	36,292,514
Restricted	2,777,724	2,156,253
Unrestricted	<u>1,258,124</u>	<u>1,304,065</u>
Total net assets	<u>\$ 38,215,190</u>	<u>\$ 39,752,832</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$38,215,190.

At year-end, capital assets represented 75.94% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, textbooks and library books and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$34,179,342. 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.

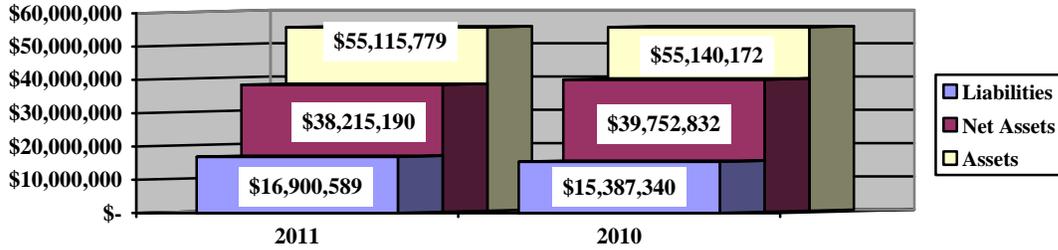
A portion of the District's net assets, \$2,777,724, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,258,124 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities assets, liabilities and net assets at June 30, 2011 and June 30, 2010.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,402,242	\$ 2,531,602
Operating grants and contributions	4,562,770	2,712,370
Capital grants and contributions	4,000	-
General revenues:		
Property taxes	4,743,510	4,696,435
Grants and entitlements	11,083,008	12,277,539
Investment earnings	19,688	16,691
Other	<u>283,881</u>	<u>273,471</u>
Total revenues	<u>23,099,099</u>	<u>22,508,108</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
	<u>2011</u>	<u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 11,118,466	\$ 10,452,503
Special	2,499,323	2,618,170
Vocational	397,180	420,870
Other	184,771	46,751
Support services:		
Pupil	1,184,097	1,125,985
Instructional staff	1,225,223	1,242,689
Board of education	40,311	37,549
Administration	1,595,968	1,563,045
Fiscal	439,603	458,662
Business	-	26,287
Operations and maintenance	2,109,690	1,964,442
Pupil transportation	1,598,857	1,290,436
Central	255,873	289,110
Operations of non-instructional services:		
Food service operations	871,016	875,089
Other non-instructional services	74,263	54,514
Extracurricular activities	666,919	667,059
Interest and fiscal charges	<u>375,181</u>	<u>334,453</u>
Total expenses	<u>24,636,741</u>	<u>23,467,614</u>
Change in net assets	(1,537,642)	(959,506)
Net assets at beginning of year	<u>39,752,832</u>	<u>40,712,338</u>
Net assets at end of year	<u>\$ 38,215,190</u>	<u>\$ 39,752,832</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,537,642. Total governmental expenses of \$24,636,741 were offset by program revenues of \$6,969,012 and general revenues of \$16,130,087. Program revenues supported 28.29% of the total governmental expenses.

In the area of program revenues, the significant increase was in operating grants and contributions which increased \$1,850,400. This increase is attributable primarily to \$996,104 in funding through the State of Ohio for Pathway for Student Success (PASS) funding which offsets special education costs and \$700,081 in Ed Jobs grant funding from the federal government. PASS funding has been reported as program revenue in fiscal year 2011 versus general revenue in fiscal year 2010.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These two revenue sources represent 68.52% of total governmental revenue. Real estate property is reappraised every six years.

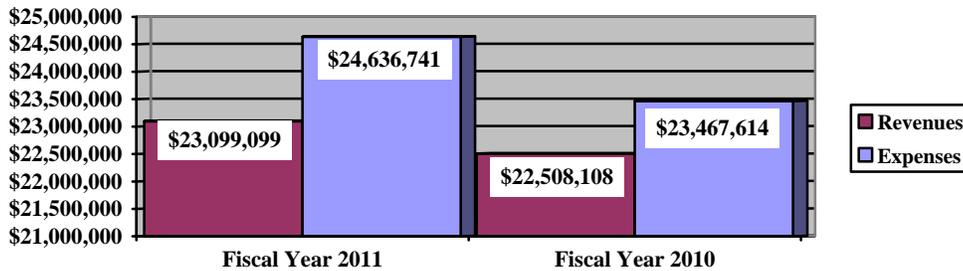
**WEST BRANCH LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2011 and 2010.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

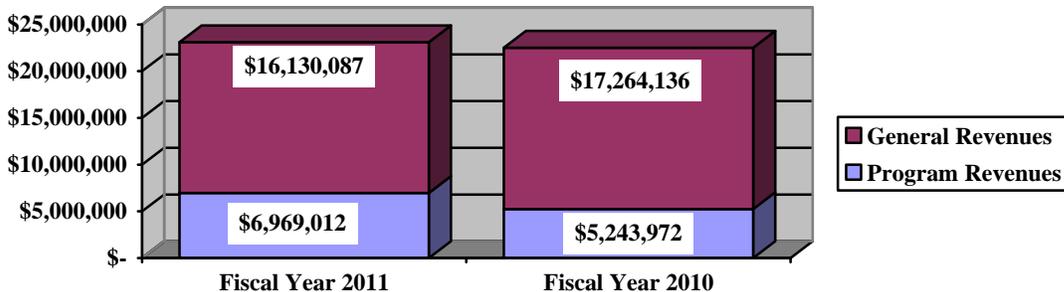
Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 11,118,466	\$ 8,022,528	\$ 10,452,503	\$ 8,052,704
Special	2,499,323	494,475	2,618,170	1,645,565
Vocational	397,180	297,797	420,870	322,227
Other	184,771	184,771	46,751	3,649
Support services:				
Pupil	1,184,097	977,910	1,125,985	981,995
Instructional staff	1,225,223	951,393	1,242,689	959,978
Board of education	40,311	19,525	37,549	37,549
Administration	1,595,968	1,583,939	1,563,045	1,550,180
Fiscal	439,603	439,603	458,662	458,662
Business	-	-	26,287	26,287
Operations and maintenance	2,109,690	2,084,062	1,964,442	1,950,421
Pupil transportation	1,598,857	1,499,194	1,290,436	1,160,315
Central	255,873	244,498	289,110	277,678
Operations of non-instructional services:				
Food service operations	871,016	(51,373)	875,089	(102,791)
Other non-instructional services	74,263	45,859	54,514	50,196
Extracurricular activities	666,919	498,367	667,059	514,574
Interest and fiscal charges	<u>375,181</u>	<u>375,181</u>	<u>334,453</u>	<u>334,453</u>
Total expenses	<u>\$ 24,636,741</u>	<u>\$ 17,667,729</u>	<u>\$ 23,467,614</u>	<u>\$ 18,223,642</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 63.38% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 71.71%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenues for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$3,626,215, which is lower than last year's total of \$3,889,287. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balance at June 30, 2010 as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase <u>(Decrease)</u>
General	\$ 1,480,130	\$ 1,987,160	\$ (507,030)
Other governmental	<u>2,146,085</u>	<u>1,902,127</u>	<u>243,958</u>
Total	<u>\$ 3,626,215</u>	<u>\$ 3,889,287</u>	<u>\$ (263,072)</u>

General Fund

The District's general fund balance decreased \$507,030. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,026,042	\$ 4,044,411	\$ (18,369)	(0.45) %
Tuition	1,506,437	1,631,398	(124,961)	(7.66) %
Earnings on investments	21,052	11,889	9,163	77.07 %
Intergovernmental	12,043,011	12,312,220	(269,209)	(2.19) %
Other revenues	<u>521,239</u>	<u>491,064</u>	<u>30,175</u>	6.14 %
Total	<u>\$ 18,117,781</u>	<u>\$18,490,982</u>	<u>\$ (373,201)</u>	(2.02) %
<u>Expenditures</u>				
Instruction	\$ 10,468,003	\$10,213,533	\$ 254,470	2.49 %
Support services	7,649,629	7,472,774	176,855	2.37 %
Operation of non-instructional services	44,374	45,570	(1,196)	(2.62) %
Extracurricular activities	<u>390,541</u>	<u>376,634</u>	<u>13,907</u>	3.69 %
Total	<u>\$ 18,552,547</u>	<u>\$18,108,511</u>	<u>\$ 444,036</u>	2.45 %

Earnings on investments increased due to an increase in investments during the fiscal year. All other revenues and expenditures remained consistent with the prior year.

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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

During the course of fiscal year 2011, the District amended its general fund budget. For the general fund, final budgeted revenues and other financing sources were \$17,841,090 which was decreased from the original budgeted revenues estimate of \$18,060,979. Actual revenues and other financing sources for fiscal 2011 was \$17,846,754. This represents a \$5,664 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$18,869,179 were increased to \$19,195,097 in the final budget. Actual expenditures plus other financing uses for fiscal year 2011 were \$18,193,613, which is less than the final budgeted amount by \$1,001,484.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$41,853,000 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and library books. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 643,930	\$ 643,930
Land improvements	1,933,766	2,088,152
Building and improvements	36,687,272	38,529,719
Furniture and equipment	655,140	714,812
Vehicles	513,705	623,468
Textbooks and library books	15,830	47,491
Construction in progress	<u>1,403,357</u>	<u>-</u>
Total	<u>\$ 41,853,000</u>	<u>\$ 42,647,572</u>

Total additions to capital assets for 2011 were \$1,436,472. Disposals to capital assets for 2011 were \$268,589 (net of accumulated depreciation). The District had \$1,962,455 in depreciation expense for the 2011 fiscal year. Overall, capital assets of the District decreased \$794,572.

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

Debt Administration

At June 30, 2011, the District had \$7,816,624 in general obligation bonds outstanding. Of this total, \$559,670 is due within one year and \$7,256,954 is due in greater than one year. The following table summarizes the bonds outstanding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds:		
Energy conservation bonds - Series 2010	\$ 1,556,048	\$ -
School improvement bonds - Series 2001	-	345,456
Refunding bonds - Series 2007	<u>6,260,576</u>	<u>6,256,905</u>
 Total	 <u>\$ 7,816,624</u>	 <u>\$ 6,602,361</u>

At June 30, 2011, the District's legal voted debt margin was \$13,693,499 with an unvoted debt margin of \$229,854.

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

Current Financial Related Activities

As the preceding information indicates, the District relies heavily upon grants, entitlements and property taxes. This reliance presents certain internal and external challenges with respect to the future financial stability of the District.

The District must look towards a combination of increased reliance on local property taxes and expenditure reductions in order to fund its operations as State revenue, already the major source of operational revenue, is expected to provide little if any growth in the foreseeable future. At the same time, the District does not foresee any sustainable growth in revenue from current levied property taxes due to slow economic growth and recent year's lack of growth in property valuation. Management must diligently adjust planned expenditures to fit within projected revenues in response to the May 2011 five year financial forecast (fiscal year 2011 through fiscal year 2015).

State funding sources, consisting of unrestricted state aid, restricted state aid and property tax allocation were expected to provide approximately 63% of daily operating funds in fiscal year 2011. It is not expected that the proportion of daily operating funds provided by state funding sources will deviate significantly in fiscal year 2012 from the fiscal 2011 funding level.

A Bridge Funding Formula, based on provisions of Amended House Bill 153, has become the state aid funding mechanism effective with the 2011-12 biennium budget. With the loss of Federal Stimulus funding effective this biennium, the District has provided for a decline in State revenue over the forecast period.

Local property taxes, consisting of real property, tangible personal property and public utility personal collections, were expected to comprise 21% of daily operating funds in fiscal 2011. Tangible personal property tax collections have been phased out and there has been little change in residential and commercial real property tax values. As such, there was less than one percent growth in property valuations for calendar years 2008 through 2010. Projections for calendar year 2011 through calendar year 2015 would indicate less than one percent growth in valuations per year on average and a decrease in valuation in calendar year 2011.

The District continues to face an ongoing decline in district of residence enrollment. Through fiscal 2010, open enrollment of out of district students had served to maintain a relatively steady if not slightly increasing total enrollment. A decline in enrollment of out of district students was experienced in fiscal 2011. A continuation of decline in enrollment of out of district and district of residence students would serve to impact state funding in future years.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

West Branch Local School District has committed itself to academic and financial excellence for many years. West Branch Local Schools have been rated "Excellent" by the Ohio Department of Education for the past four academic years.

Annual financial audit reports are filed as required by law. An unqualified audit opinion was received for the most recent fiscal 2010 audit year. The District received the Auditor of State Award for its filing of timely financial reports as well as receiving an audit report that did not contain any findings for recovery, material citations or weaknesses, significant deficiencies, Single Audit findings or any questioned costs.

Standard and Poor's Rating Services continues to maintain an "A+" rating on the District's 2007 general obligation bond reissue. This rating could have a favorable impact upon future debt issuance and could also improve the perception of outstanding debt currently in the marketplace.

Improvements continue in the quality of fiscal management as demonstrated by a proactive approach to cash management, not only to maximize funds but also to achieve optimal income on cash balances. With the ongoing banking environment, safety of the District's dollars remains top priority. Meeting the needs of the natural budget cycles continues to be our greatest challenge.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to demonstrate accountability for money received. If you have any questions about this report or need additional financial information, contact Mr. Daniel J. Telzrow, Treasurer, West Branch Local School District, 14277 Main Street, Beloit, OH 44609

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 6,584,624
Receivables:	
Taxes	5,582,302
Accounts	6,156
Accrued interest	4,260
Intergovernmental	893,579
Prepayments	39,742
Materials and supplies inventory	40,374
Unamortized bond issuance costs	111,742
Capital assets:	
Land and construction in progress	2,047,287
Depreciable capital assets, net	39,805,713
Capital assets, net	41,853,000
 Total assets	 55,115,779
 Liabilities:	
Accounts payable	249,660
Accrued wages and benefits	2,406,646
Pension obligation payable	494,942
Intergovernmental payable	118,355
Accrued interest payable	24,430
Unearned revenue	4,644,628
Long-term liabilities:	
Due within one year	616,422
Due in more than one year	8,345,506
 Total liabilities	 16,900,589
 Net assets:	
Invested in capital assets, net of related debt	34,179,342
Restricted for:	
Capital projects	527,801
Debt service	674,563
Classroom facilities maintenance	351,467
Federally funded programs	688,279
Student activities	39,486
Other purposes	496,128
Unrestricted	1,258,124
 Total net assets	 \$ 38,215,190

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, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 11,118,466	\$ 1,514,655	\$ 1,581,283	\$ -	\$ (8,022,528)
Special	2,499,323	93,103	1,911,745	-	(494,475)
Vocational	397,180	-	99,383	-	(297,797)
Other	184,771	-	-	-	(184,771)
Support services:					
Pupil.	1,184,097	135,148	71,039	-	(977,910)
Instructional staff	1,225,223	402	273,428	-	(951,393)
Board of education	40,311	-	20,786	-	(19,525)
Administration.	1,595,968	-	12,029	-	(1,583,939)
Fiscal.	439,603	-	-	-	(439,603)
Operations and maintenance	2,109,690	3,301	18,327	4,000	(2,084,062)
Pupil transportation.	1,598,857	-	99,663	-	(1,499,194)
Central	255,873	-	11,375	-	(244,498)
Operation of non-instructional services:					
Other non-instructional services	74,263	906	27,498	-	(45,859)
Food service operations	871,016	495,331	427,058	-	51,373
Extracurricular activities.	666,919	159,396	9,156	-	(498,367)
Interest and fiscal charges	375,181	-	-	-	(375,181)
Total governmental activities	\$ 24,636,741	\$ 2,402,242	\$ 4,562,770	\$ 4,000	(17,667,729)

General revenues:

Property taxes levied for:	
General purposes	4,123,403
Special revenue	78,975
Debt service.	541,132
Grants and entitlements not restricted to specific programs	11,083,008
Investment earnings	19,688
Miscellaneous	283,881
Total general revenues	16,130,087
Change in net assets	(1,537,642)
Net assets at beginning of year.	39,752,832
Net assets at end of year	\$ 38,215,190

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 4,355,541	\$ 2,229,083	\$ 6,584,624
Receivables:			
Taxes	4,853,635	728,667	5,582,302
Accounts	4,878	1,278	6,156
Intergovernmental	3,726	889,853	893,579
Accrued interest	4,260	-	4,260
Interfund loans	52,567	-	52,567
Prepayments	36,268	3,474	39,742
Materials and supplies inventory	-	40,374	40,374
Total assets	<u>\$ 9,310,875</u>	<u>\$ 3,892,729</u>	<u>\$ 13,203,604</u>
Liabilities:			
Accounts payable	\$ 206,653	\$ 43,007	\$ 249,660
Accrued wages and benefits.	2,248,595	158,051	2,406,646
Pension obligation payable	449,760	45,182	494,942
Intergovernmental payable	106,445	11,910	118,355
Interfund loans payable.	-	52,567	52,567
Deferred revenue	780,744	829,847	1,610,591
Unearned revenue.	4,038,548	606,080	4,644,628
Total liabilities.	<u>7,830,745</u>	<u>1,746,644</u>	<u>9,577,389</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	40,374	40,374
Prepays.	36,268	3,474	39,742
Restricted:			
Debt service	-	597,790	597,790
Capital improvements	-	527,801	527,801
Classroom facilities maintenance	-	335,950	335,950
Food service operations	-	321,747	321,747
Targeted academic assistance	-	21,097	21,097
Other purposes.	-	12,201	12,201
Extracurricular.	-	39,486	39,486
Committed:			
Capital improvements	-	106,173	106,173
Other purposes.	-	162,470	162,470
Assigned:			
Student instruction	6,149	-	6,149
Student and staff support.	99,184	-	99,184
Subsequent year appropriation	969,267	-	969,267
Other purposes.	4,213	-	4,213
Unassigned (deficit)	365,049	(22,478)	342,571
Total fund balances	<u>1,480,130</u>	<u>2,146,085</u>	<u>3,626,215</u>
Total liabilities and fund balances	<u>\$ 9,310,875</u>	<u>\$ 3,892,729</u>	<u>\$ 13,203,604</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 3,626,215
<i>Amounts reported for governmental activities on 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.		41,853,000
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 893,756	
Accrued interest receivable	3,708	
Intergovernmental receivable	713,127	
Total		1,610,591
Unamortized premiums on refundings are not recognized in the funds.		(370,270)
Unamortized amounts on bond issuance costs are not recognized in the funds.		111,742
Unamortized deferred charges on refundings are not recognized in the funds.		282,655
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(24,430)
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 payable	(1,057,689)	
General obligation bonds payable	(6,260,576)	
Energy conservation bonds payable	(1,556,048)	
Total		(8,874,313)
Net assets of governmental activities		\$ 38,215,190

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, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Taxes	\$ 4,026,042	\$ 605,073	\$ 4,631,115
Tuition	1,506,437	-	1,506,437
Earnings on investments	21,052	1,118	22,170
Charges for services	-	495,331	495,331
Extracurricular	130,174	159,396	289,570
Classroom materials and fees	29,553	-	29,553
Other local revenues	361,512	18,996	380,508
Intergovernmental - intermediate	3,768	-	3,768
Intergovernmental - state	11,950,361	182,267	12,132,628
Intergovernmental - federal	88,882	2,726,573	2,815,455
Total revenues	<u>18,117,781</u>	<u>4,188,754</u>	<u>22,306,535</u>
Expenditures:			
Current:			
Instruction:			
Regular	8,307,956	752,584	9,060,540
Special	1,581,182	904,990	2,486,172
Vocational	394,094	-	394,094
Other	184,771	-	184,771
Support services:			
Pupil	1,114,138	71,181	1,185,319
Instructional staff	951,189	272,716	1,223,905
Board of education	22,897	17,414	40,311
Administration	1,620,533	12,033	1,632,566
Fiscal	434,800	13,732	448,532
Operations and maintenance	1,819,724	296,823	2,116,547
Pupil transportation	1,448,322	40,499	1,488,821
Central	238,026	11,375	249,401
Operation of non-instructional services:			
Food service operations	-	870,930	870,930
Other non-instructional services	44,374	29,391	73,765
Extracurricular activities	390,541	196,954	587,495
Facilities acquisition and construction	-	1,382,443	1,382,443
Debt service:			
Principal retirement	-	425,000	425,000
Interest and fiscal charges	-	284,584	284,584
Bond issuance costs	-	29,000	29,000
Total expenditures	<u>18,552,547</u>	<u>5,611,649</u>	<u>24,164,196</u>
Excess of expenditures over revenues	<u>(434,766)</u>	<u>(1,422,895)</u>	<u>(1,857,661)</u>
Other financing sources (uses):			
Sale of bonds	-	1,556,048	1,556,048
Sale/loss of assets	23,420	-	23,420
Transfers in	-	95,684	95,684
Transfers (out)	(95,684)	-	(95,684)
Total other financing sources (uses)	<u>(72,264)</u>	<u>1,651,732</u>	<u>1,579,468</u>
Net change in fund balances	(507,030)	228,837	(278,193)
Fund balances at beginning of year (restated).	1,987,160	1,902,127	3,889,287
Increase in reserve for inventory	-	15,121	15,121
Fund balances at end of year	<u>\$ 1,480,130</u>	<u>\$ 2,146,085</u>	<u>\$ 3,626,215</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, 2011

Net change in fund balances - total governmental funds	\$	(278,193)
<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	\$ 1,436,472	
Depreciation expense	(1,962,455)	
Total		(525,983)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(268,589)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		15,121
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	112,395	
Interest revenue	(1,767)	
Intergovernmental revenue	677,997	
Total		788,625
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		425,000
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(1,556,048)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		29,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the following:		
Increase in accrued interest payable	(5,644)	
Accreted interest on "capital appreciation bonds"	(83,215)	
Amortization of bond issuance costs	(8,795)	
Amortization of bond premiums	29,821	
Amortization of deferred charges on refundings	(22,764)	
Total		(90,597)
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.		
		(75,978)
Change in net assets of governmental activities	\$	(1,537,642)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 4,105,543	\$ 4,021,621	\$ 4,021,621	\$ -
Tuition	1,629,112	1,506,137	1,506,137	-
Earnings on investments	10,196	19,688	20,663	975
Classroom materials and fees	1,761	1,544	1,544	-
Other local revenues	63,204	128,935	133,624	4,689
Intergovernmental - intermediate	3,685	3,788	3,788	-
Intergovernmental - state	12,044,693	11,950,361	11,950,361	-
Intergovernmental - federal	84,920	104,954	104,954	-
Total revenues	17,943,114	17,737,028	17,742,692	5,664
Expenditures:				
Current:				
Instruction:				
Regular	8,489,589	8,375,667	8,025,176	350,491
Special	1,791,596	1,595,741	1,567,358	28,383
Vocational	425,516	421,750	402,193	19,557
Other	13,750	190,387	185,742	4,645
Support services:				
Pupil	958,023	948,769	927,838	20,931
Instructional staff	969,248	1,052,833	961,368	91,465
Board of education	21,603	24,761	23,248	1,513
Administration	1,665,725	1,674,183	1,613,517	60,666
Fiscal	443,357	449,851	442,545	7,306
Business	6,196	7,267	7,218	49
Operations and maintenance	1,848,847	2,137,162	2,036,005	101,157
Pupil transportation	1,635,780	1,647,316	1,337,233	310,083
Central	49,800	35,785	35,385	400
Operation of non-instructional services	36,902	46,517	45,964	553
Extracurricular activities	387,327	394,009	389,724	4,285
Total expenditures	18,743,259	19,001,998	18,000,514	1,001,484
Excess of expenditures over revenues	(800,145)	(1,264,970)	(257,822)	1,007,148
Other financing sources (uses):				
Refund of prior year's expenditures	7,597	27,178	27,178	-
Transfers (out)	(87,848)	(140,532)	(140,532)	-
Advances in	110,015	53,464	53,464	-
Advances (out)	(38,072)	(52,567)	(52,567)	-
Sale of capital assets	253	23,420	23,420	-
Total other financing sources (uses)	(8,055)	(89,037)	(89,037)	-
Net change in fund balance	(808,200)	(1,354,007)	(346,859)	1,007,148
Fund balance at beginning of year (restated)	4,257,489	4,257,489	4,257,489	-
Prior year encumbrances appropriated	154,690	154,690	154,690	-
Fund balance at end of year	\$ 3,603,979	\$ 3,058,172	\$ 4,065,320	\$ 1,007,148

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, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 20,934	\$ 31,834
Total assets.	20,934	\$ 31,834
Liabilities:		
Accounts payable.	-	\$ 123
Intergovernmental payable	-	4
Due to students.	-	31,707
Total liabilities	-	\$ 31,834
Net assets:		
Held in trust for scholarships	20,934	
Total net assets	\$ 20,934	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 23
Total additions.	23
Change in net assets.	23
Net assets at beginning of year	20,911
Net assets at end of year.	\$ 20,934

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 204th largest by enrollment among the 918 public school districts and community schools in the State. It currently operates five school buildings staffed by 131 non-certified and 187 certified employees to provide services to 2,325 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

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

Mahoning County Career & Technology Center

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

PUBLIC ENTITY RISK POOLS

Ohio Association of School Business Officials

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

Mahoning County School Employee Insurance Consortium

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

GOVERNMENTAL FUNDS

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

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2011, are recorded as deferred revenue.

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

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

E. Budgets

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

1. The Mahoning County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificated of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed by the Board of Education.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation total.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2011. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to federal agency securities, U.S. Treasury notes, U.S. Government money market funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$21,052, which includes \$5,834 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the government-wide financial statements and the purchases method on the fund financial statements.

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

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

H. Capital Assets

General capital assets are those related to government activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

M. Fund Balance

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

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

N. Net Assets

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

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

O. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

P. Estimates

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**WEST BRANCH LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 1,954,920	\$ 1,934,367	\$ 3,889,287
Fund reclassifications:			
Special trust fund	5,074	(5,074)	-
Uniform school supplies fund	135	(135)	-
Public school fund	27,031	(27,031)	-
Total fund reclassifications	32,240	(32,240)	-
Restated fund balance at July 1, 2010	\$ 1,987,160	\$ 1,902,127	\$ 3,889,287

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 4,280,433
Funds budgeted elsewhere	(22,944)
Restated balance at July 1, 2010	\$ 4,257,489

**WEST BRANCH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 47
Education jobs	14,341
IDEA - Part B	4,615
Improving teacher quality	1

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

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.

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

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$2,691,824. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,373,812 of the District's bank balance of \$2,773,511 was exposed to custodial risk as discussed below, while \$1,399,699 was covered by the FDIC.

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

**WEST BRANCH LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 404,350	\$ -	\$ 159,877	\$ -	\$ 244,473	\$ -
FHLMC	1,125,285	-	-	750,206	-	375,079
FNMA	390,049	-	-	240,072	-	149,977
U.S. Treasury note	499,340	-	499,340	-	-	-
U.S. Government money market	4,012	4,012	-	-	-	-
STAR Ohio	<u>1,522,532</u>	<u>1,522,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,945,568</u>	<u>\$ 1,526,544</u>	<u>\$ 659,217</u>	<u>\$ 990,278</u>	<u>\$ 244,473</u>	<u>\$ 525,056</u>

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLB	\$ 404,350	10.25
FHLMC	1,125,285	28.52
FNMA	390,049	9.89
U.S. Treasury note	499,340	12.66
U.S. Government money market	4,012	0.10
STAR Ohio	<u>1,522,532</u>	<u>38.58</u>
Total	<u>\$ 3,945,568</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,584,624
Private-purpose trust fund	20,934
Agency funds	<u>31,834</u>
Total	<u>\$ 6,637,392</u>
 <u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,691,824
Investments	<u>3,945,568</u>
Total	<u>\$ 6,637,392</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 52,567</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 95,684</u>

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Portage, Columbiana and Mahoning Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$38,051 in the general fund, \$5,137 in the bond retirement fund (a nonmajor governmental fund) and \$730 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$33,630 in the general fund, \$4,540 in the bond retirement fund (a nonmajor governmental fund) and \$652 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 214,551,490	94.68	\$ 218,240,290	94.87
Public utility personal	10,148,190	4.48	11,614,030	5.05
Tangible personal property	<u>1,904,250</u>	<u>0.84</u>	<u>182,330</u>	<u>0.08</u>
Total	<u>\$ 226,603,930</u>	<u>100.00</u>	<u>\$ 230,036,650</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$35.30		\$35.30

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 5,582,302
Accounts	6,156
Intergovernmental	893,579
Accrued interest	<u>4,260</u>
Total	<u>\$ 6,486,297</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 643,930	\$ -	\$ -	\$ 643,930
Construction in progress	<u>-</u>	<u>1,403,357</u>	<u>-</u>	<u>1,403,357</u>
Total capital assets, not being depreciated	<u>643,930</u>	<u>1,403,357</u>	<u>-</u>	<u>2,047,287</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,619,955	-	(54,525)	3,565,430
Building and improvements	48,867,357	-	(420,856)	48,446,501
Furniture and equipment	1,357,732	33,115	-	1,390,847
Vehicles	2,700,436	-	-	2,700,436
Textbooks and library books	<u>827,070</u>	<u>-</u>	<u>-</u>	<u>827,070</u>
Total capital assets, being depreciated	<u>57,372,550</u>	<u>33,115</u>	<u>(475,381)</u>	<u>56,930,284</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,531,803)	(154,386)	54,525	(1,631,664)
Building and improvements	(10,337,638)	(1,573,858)	152,267	(11,759,229)
Furniture and equipment	(642,920)	(92,787)	-	(735,707)
Vehicles	(2,076,968)	(109,763)	-	(2,186,731)
Textbooks and library books	<u>(779,579)</u>	<u>(31,661)</u>	<u>-</u>	<u>(811,240)</u>
Total accumulated depreciation	<u>(15,368,908)</u>	<u>(1,962,455)</u>	<u>206,792</u>	<u>(17,124,571)</u>
Governmental activities capital assets, net	<u>\$ 42,647,572</u>	<u>\$ (525,983)</u>	<u>\$ (268,589)</u>	<u>\$ 41,853,000</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,692,600
Vocational	2,454
<u>Support services:</u>	
Instructional staff	26,090
Operations and maintenance	38,701
Pupil transportation	109,717
Central	6,472
Extracurricular activities	73,858
Food service operations	<u>12,563</u>
Total depreciation expense	<u>\$ 1,962,455</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/11</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 6,602,361	\$ 83,215	\$ (425,000)	\$ 6,260,576	\$ 430,000
Energy conservation bonds	-	1,556,048	-	1,556,048	129,670
Compensated absences	<u>983,400</u>	<u>297,922</u>	<u>(223,633)</u>	<u>1,057,689</u>	<u>56,752</u>
Total	<u>\$ 7,585,761</u>	<u>\$ 1,937,185</u>	<u>\$ (648,633)</u>	8,874,313	<u>\$ 616,422</u>
Less: Unamortized deferred charge on refunding				(282,655)	
Add: Unamortized premium on refunding				<u>370,270</u>	
Total on statement of net assets				<u>\$ 8,961,928</u>	

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

B. General Obligation Bonds

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

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

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

This issue was comprised of current interest term bonds, par value \$6,350,000, serial bonds, par value \$2,235,000, and capital appreciation bonds, par value \$344,999. The capital appreciation bonds matured December 1, 2010, (approximate initial offering yield at maturity of 8.4199%, on both bonds) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$360,000.

**WEST BRANCH LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

On March 22, 2007, the District advance refunded the callable portion of the series 2001 current interest bonds (\$6,670,000) with proceeds of the series 2007 refunding bonds.

Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity stated on the remaining issue was December 1, 2008.

The following is a schedule of activity for fiscal year 2011 on the 2001 series general obligation bonds:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
	<u>6/30/10</u>	<u> </u>	<u> </u>	<u>6/30/11</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds - series 2001:					
Capital appreciation bonds	\$ 165,391	\$ -	\$ (165,391)	\$ -	\$ -
Accreted interest	<u>180,065</u>	<u>14,544</u>	<u>(194,609)</u>	<u>-</u>	<u>-</u>
Total G.O. bonds - series 2001	<u>\$ 345,456</u>	<u>\$ 14,544</u>	<u>\$ (360,000)</u>	<u>\$ -</u>	<u>\$ -</u>

On March 22, 2007, the District issued general obligation bonds (Series 2007 refunding bonds) to advance refund the callable portion of the Series 2001 current interest general obligation bonds (callable principal \$6,670,000). The issuance proceeds of \$6,729,403 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The principal balance outstanding of the defeased bonds was \$6,350,000 at June 30, 2011.

The refunding issue is comprised of both current interest term bonds, par value \$1,240,000, serial bonds, par value \$4,845,000 and capital appreciation bonds, par value \$264,995. The capital appreciation bonds mature December 1, 2015 and December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,000,000. Total accreted interest of \$230,581 has been included in the statement of net assets at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2011 on the 2007 series refunding bonds:

	Balance <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/11</u>	Amounts Due in <u>One Year</u>
Refunding bonds - series 2007:					
Current interest bonds	\$ 5,830,000	\$ -	\$ (65,000)	\$ 5,765,000	\$ 430,000
Capital appreciation bonds	264,995	-	-	264,995	-
Accreted interest	<u>161,910</u>	<u>68,671</u>	<u>-</u>	<u>230,581</u>	<u>-</u>
Total refunding bonds - series 2007	<u>\$ 6,256,905</u>	<u>\$ 68,671</u>	<u>\$ (65,000)</u>	<u>\$ 6,260,576</u>	<u>\$ 430,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$379,403. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

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

Fiscal Year <u>Ending June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 430,000	\$ 222,000	\$ 652,000	\$ -	\$ -	\$ -
2013	450,000	204,400	654,400	-	-	-
2014	460,000	186,200	646,200	-	-	-
2015	480,000	167,400	647,400	-	-	-
2016	-	157,800	157,800	142,070	357,930	500,000
2017 - 2021	2,120,000	623,400	2,743,400	122,925	377,075	500,000
2022 - 2024	<u>1,825,000</u>	<u>111,300</u>	<u>1,936,300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,765,000</u>	<u>\$ 1,672,500</u>	<u>\$ 7,437,500</u>	<u>\$ 264,995</u>	<u>\$ 735,005</u>	<u>\$ 1,000,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. Energy Conservation Improvement Bonds - Series 2010:

On September 10, 2010, the District issued \$1,556,048 in energy conservation improvement bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the District's buildings. These bonds bear an annual interest rate of 4.67% and are scheduled to mature in fiscal year 2023. Payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement fund (a nonmajor governmental fund). The balance of these bonds at June 30, 2011 in the amount of \$1,556,048 has been included on the statement of net assets.

The following are the District's future annual debt service requirements to amortize the energy conservation improvement bonds outstanding at June 30, 2011:

Fiscal Year	Energy Conservation Improvement Bonds		
	Principal	Interest	Total
2012	\$ 129,670	\$ 69,640	\$ 199,310
2013	129,670	63,584	193,254
2014	129,670	57,528	187,198
2015	129,670	51,473	181,143
2016	129,670	45,417	175,087
2017 - 2021	648,350	136,253	784,603
2022 - 2023	259,348	12,112	271,460
Total	<u>\$ 1,556,048</u>	<u>\$ 436,007</u>	<u>\$ 1,992,055</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$13,693,499 (including available funds of \$597,790) and an unvoted debt margin of \$229,854.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn ten to twenty one days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - COMPENSATED ABSENCES - (Continued)

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 2011, 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 - \$72,767,367 (\$2,500 deductible)

Contents - replacement cost - \$7,166,500 (\$2,500 deductible)

Boiler and Machinery - equipment breakdown - included above - (\$1,000 deductible)

Inland Marine Coverage - \$2,684,500 (\$500 deductible per category)

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

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. The contents-replacement cost coverage was reduced from \$11,606,400 in fiscal year 2010 to \$7,166,500 in fiscal year 2011.

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 twelve member school districts. The plan was organized to provide health care and other benefits to its member organizations. Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments and claims are made for all participating districts, regardless of cash flow. The District offers one health insurance plan with various options. Employee contributions range from 5.7 to 13.3 percent of the premium. The fiscal officer of the Mahoning County School Employee Insurance Consortium is the Treasurer of the Springfield Local School District. The fiscal agent pays Medical Mutual monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$312,230, \$328,814 and \$226,422, respectively; 50.43 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,195,831, \$1,148,006 and \$1,133,145, respectively; 83.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$36,718 made by the District and \$26,227 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$76,234, \$49,264 and \$154,361, respectively; 50.43 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$20,093, \$19,554 and \$18,682, respectively; 50.43 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$91,987, \$88,308 and \$87,165, respectively; 83.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (346,859)
Net adjustment for revenue accruals	(22,473)
Net adjustment for expenditure accruals	(388,915)
Net adjustment for other sources/uses	16,773
Funds budgeted elsewhere *	50,089
Adjustment for encumbrances	184,355
GAAP basis	\$ (507,030)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to legal proceedings seeking damages generally incidental to its operations. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	369,312	369,312
Current year qualifying expenditures	(267,040)	(480,844)
Excess qualified expenditures from prior years	<u>(593,580)</u>	<u>-</u>
Total	<u>\$ (491,308)</u>	<u>\$ (111,532)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - SET-ASIDES - (Continued)

The District had excess qualified expenditures from prior years and qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 65,858
Other governmental	<u>187,523</u>
 Total	 <u>\$ 253,381</u>

SUPPLEMENTARY DATA

**WEST BRANCH LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 30,280	\$ 30,280
(D)(E) National School Lunch Program - Food Donation	10.555	2011	63,183	63,183
(C)(D) National School Lunch Program	10.555	2011	328,115	328,115
Total National School Lunch Program			<u>391,298</u>	<u>391,298</u>
<i>Total Child Nutrition Cluster</i>			<u>421,578</u>	<u>421,578</u>
Total U.S. Department of Agriculture			<u>421,578</u>	<u>421,578</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Grant Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	19,489	30,747
(F) Title I Grants to Local Educational Agencies	84.010	2011	311,447	304,208
Total Title I Grants to Local Educational Agencies			<u>330,936</u>	<u>334,955</u>
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	34,981	21,856
(F)(H) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	117,785	113,048
Total ARRA Title I Grants to Local Educational Agencies, Recovery Act			<u>152,766</u>	<u>134,904</u>
<i>Total Title I Grant Cluster</i>			<u>483,702</u>	<u>469,859</u>
<i>Special Education Grant Cluster:</i>				
(G) Special Education_Grants to States	84.027	2010	41,447	46,271
(G) Special Education_Grants to States	84.027	2011	419,681	415,412
Total Special Education _Grants to States			<u>461,128</u>	<u>461,683</u>
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2010	39,443	24,556
(G)(H) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	197,887	214,333
Total ARRA Special Education _Grants to States, Recovery Act			<u>237,330</u>	<u>238,889</u>
<i>Total Special Education Grant Cluster</i>			<u>698,458</u>	<u>700,572</u>
Educational Technology State Grants	84.318	2011	1,089	1,089
Improving Teacher Quality State Grants	84.367	2010	23,136	25,446
Improving Teacher Quality State Grants	84.367	2011	96,741	94,866
Total Improving Teacher Quality State Grants			<u>119,877</u>	<u>120,312</u>
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	941,048	941,048
Total U.S. Department of Education			<u>2,244,174</u>	<u>2,232,880</u>
Total Federal Financial Assistance			<u>\$ 2,665,752</u>	<u>\$ 2,654,458</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	\$ 10,282	
ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		\$ 10,282
ARRA Special Education_Grants to States, Recovery Act	84.391	2010	24,443	
ARRA Special Education_Grants to States, Recovery Act	84.391	2011		24,443
Totals			<u>\$ 34,725</u>	<u>\$ 34,725</u>



Julian & Grube, Inc.
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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the West Branch Local School District, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the West Branch Local School District's basic financial statements and have issued our report thereon dated December 21, 2011. We noted that the West Branch Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the West Branch Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the West Branch Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the West Branch Local School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the West Branch Local School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
West Branch Local School District

Compliance and Other Matters

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

We intend this report solely for the information and use of the management and Board of Education of the West Branch Local School District, federal awarding agencies and pass-through entities, and others within the West Branch Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2011



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required By OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the West Branch Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of West Branch Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the West Branch Local School District's major federal programs. The West Branch Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the West Branch Local 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the West Branch Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the West Branch Local School District's compliance with those requirements.

In our opinion, the West Branch Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The West Branch Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the West Branch Local School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the West Branch Local School District's internal control over compliance.

Board of Education
West Branch Local School District

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the management and Board of Education of the West Branch Local School District, federal awarding agencies and pass-through entities, and others within the West Branch Local School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 21, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grant Cluster: Title I Grants to Local Educational Agencies (CFDA #84.010) and ARRA Title I Grants to Local Educational Agencies, Recovery Act (CFDA # 84.389); Special Education Grant Cluster: Special Education Grants to States (CFDA #84.027), ARRA Special Education Grants to States, Recovery Act (CFDA #84.391); and ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (CFDA #84.394);
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether West Branch Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 28, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
December 21, 2011



Dave Yost • Auditor of State

WEST BRANCH LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2012**