



Dave Yost • Auditor of State

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Western Reserve Local School District
Mahoning County
13850 Akron-Canfield Road
Berlin Center, Ohio 44401

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Western Reserve Local School District, Mahoning County, Ohio, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the financial statements, the discretely presented component unit, Western Reserve Kindergarten Learning Academy, permanently closed and ceased operation on June 30, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule 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 federal awards receipts and expenditure schedule 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.



Dave Yost
Auditor of State

February 14, 2014

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

This discussion and analysis of Western Reserve Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased by \$753,756.
- Revenues for governmental activities totaled \$8,833,772 in 2012. Of this total, 77 percent consisted of general revenues while program revenues and special items accounted for 20 percent and 3 percent, respectively.
- Program expenses totaled \$8,080,016. Instructional expenses made up 49 percent of this total while support services accounted for 37 percent. Other expenses rounded out the remaining 14 percent.
- General revenues totaled \$6,789,336. Of this total, \$3,357,473 or 49 percent was derived from property taxes, \$3,305,329 or 49 percent from state entitlements and grants and \$126,534 or 2 percent was derived from interest and other miscellaneous revenues.
- The general fund balance was \$1,643,990 on a budget basis at fiscal year end, a decrease of 8 percent from \$1,776,865 at June 30, 2011.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Western Reserve Local School District as a financial whole, or complete 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 School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Western Reserve Local School District, the general fund, the bond retirement debt service fund and the classroom facilities capital projects fund are the most significant funds.

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

The government-wide financial statements include not only the activity of the Western Reserve Local School District itself (known as the primary government), but also a separate community school, the Western Reserve Kindergarten Learning Academy, for which the District is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental funds are the general fund, the bond retirement debt service fund and the classroom facilities capital projects fund.

Governmental Funds Most of the School 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements.

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets
Governmental Activities

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Assets			
Current and Other Assets	\$7,802,147	\$13,412,168	(\$5,610,021)
Capital Assets	<u>26,496,290</u>	<u>21,598,816</u>	<u>4,897,474</u>
<i>Total Assets</i>	<u>34,298,437</u>	<u>35,010,984</u>	<u>(712,547)</u>
Liabilities			
Current Liabilities	4,482,525	5,825,476	(1,342,951)
Long-Term Liabilities			
Due within One Year	279,189	214,108	65,081
Due in More than One Year	<u>11,175,391</u>	<u>11,363,824</u>	<u>(188,433)</u>
<i>Total Liabilities</i>	<u>15,937,105</u>	<u>17,403,408</u>	<u>(1,466,303)</u>
Net Assets			
Invested in Capital Assets, Net	15,675,455	10,660,694	5,014,761
Restricted	1,936,619	6,411,388	(4,474,769)
Unrestricted	<u>749,258</u>	<u>535,494</u>	<u>213,764</u>
<i>Total Net Assets</i>	<u><u>\$18,361,332</u></u>	<u><u>\$17,607,576</u></u>	<u><u>\$753,756</u></u>

Total assets decreased by \$712,547. The majority of this decrease can be attributed to the decrease in receivables related to the grant monies received from the State of Ohio for the construction of new school buildings through the Ohio Schools Facilities Commission (OSFC). The District received over \$700,000 in grant monies related to this project during fiscal year 2012, however over 4.6 million was spent on construction related activities during the fiscal year, resulting in an overall decrease in cash and cash equivalents.

Total liabilities decreased by \$1,466,303. The overall decrease in liabilities was due to a decrease in contracts payable related to the construction project, as well as a reduction in outstanding bonds payable due to current year payments being made.

By comparing assets and liabilities, one can see the overall position of the School District has increased as evidenced by the overall increase in net assets of \$753,756. The decrease in restricted net assets of \$4,474,769 was due primarily to decreases in cash on hand and OSFC grant monies received.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$6,789,336 or 77 percent of the total revenue. The most significant portion of the general revenue consists of property taxes and State grants and entitlements. The remaining amount of revenue received was in the form of program revenues and special items, which equated to \$2,044,436 or 23 percent of total revenue.

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 compared to fiscal year 2011.

Table 2
Change in Net Assets
Governmental Activities

	2012	2011	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,133,769	\$1,048,764	\$85,005
Operating Grants and Contributions	636,849	784,177	(147,328)
<i>Total Program Revenues</i>	<u>1,770,618</u>	<u>1,832,941</u>	<u>(62,323)</u>
General Revenues			
Property Taxes	3,357,473	3,345,386	12,087
Intergovernmental	3,305,329	3,491,689	(186,360)
Investment Earnings	24,214	44,129	(19,915)
Miscellaneous	102,320	51,028	51,292
<i>Total General Revenues</i>	<u>6,789,336</u>	<u>6,932,232</u>	<u>(142,896)</u>
Special Items	273,818	0	273,818
<i>Total Revenues</i>	<u>8,833,772</u>	<u>8,765,173</u>	<u>68,599</u>
Program Expenses			
Current:			
Instruction:			
Regular	2,896,328	3,143,778	(247,450)
Special	837,055	875,984	(38,929)
Vocational	125,291	118,121	7,170
Adult/Continuing	3,645	11,389	(7,744)
Other	78,025	2,508	75,517
Support Services:			
Pupils	297,023	366,994	(69,971)
Instructional Staff	416,321	381,781	34,540
Board of Education	22,034	23,266	(1,232)
Administration	701,480	696,300	5,180
Fiscal	276,778	344,217	(67,439)
Business	34,410	26,735	7,675
Operation and Maintenance of Plant	794,802	528,037	266,765
Pupil Transportation	420,783	479,660	(58,877)
Central	20,746	18,204	2,542
Operation of Non-Instructional Services	24,649	1,641	23,008
Operation of Food Services	253,082	234,122	18,960
Extracurricular Activities	416,406	341,096	75,310
Interest and Fiscal Charges	461,158	460,710	448
<i>Total Program Expenses</i>	<u>8,080,016</u>	<u>8,054,543</u>	<u>25,473</u>
<i>Change in Net Assets</i>	753,756	710,630	43,126
Net Assets Beginning of Year	17,607,576	16,896,946	710,630
<i>Net Assets End of Year</i>	<u>\$18,361,332</u>	<u>\$17,607,576</u>	<u>\$753,756</u>

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five fiscal years. The certified negotiated union contract, effective through fiscal year 2013, includes a 1.25 percent increase in September of 2010, a 1.50 percent increase in September of 2011, and a 2.0 percent increase in September of 2012. The classified employee negotiated contract is effective through fiscal year 2014 and includes a 1.25 percent increase in July of 2011, a 1.5 percent increase in July of 2012, and a 2.0 percent increase in July of 2013. Based on the renewal of all expiring levies and no increase projected from the State in its next budget, the School District will be able to operate without a deficit in the general fund as projected in the School Districts five year forecast until fiscal year 2015.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 49 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 37 percent. The remaining amount of program expenses, 14 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$3,940,344	\$2,978,753	\$4,151,780	\$3,052,708
Support Services:				
Pupils	297,023	258,749	366,994	316,517
Instructional Staff	416,321	343,280	381,781	327,650
Board of Education	22,034	19,195	23,266	20,312
Administration	701,480	613,725	696,300	605,758
Fiscal	276,778	243,132	344,217	302,745
Business	34,410	33,372	26,735	25,771
Operation and Maintenance of Plant	794,802	714,679	528,037	469,169
Pupil Transportation	420,783	365,450	479,660	425,431
Central	20,746	18,073	18,204	15,893
Operation of Non-Instructional Services	24,649	23,157	1,641	0
Operation of Food Services	253,082	(17,329)	234,122	6,201
Extracurricular Activities	416,406	254,004	341,096	192,737
Interest and Fiscal Charges	461,158	461,158	460,710	460,710
Total Expenses	\$8,080,016	\$6,309,398	\$8,054,543	\$6,221,602

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District's Funds

Information regarding the School District's major fund begins on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$8,835,567 to offset expenditures, excluding other financing uses, of \$13,243,685. The net change in fund balance for the year was most significant in the classroom facilities capital projects fund, which decreased \$3,870,863. The general fund balance increased \$524 and the bond retirement debt service fund balance increased \$18,094.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, grants and entitlements and property taxes are the School District's largest revenue sources. They account for approximately 48 and 38 percent of total governmental revenue, respectively, and are a great source of financial support for the students of the Western Reserve Local School District.

General Fund Budgeting Highlights

The School 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 School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

For the general fund, actual budget basis revenue matched final budget estimates. Original budget estimates of \$6,244,153 were less than the final budget estimates and actual revenues of \$6,521,994, by \$277,841. The variance was due to a conservative approach of estimating revenues at the beginning of the year.

Actual budget basis expenditures of \$6,579,019, excluding transfers and advances, matched final budget expenditures of \$6,579,019. Original budget basis expenditures, excluding transfers and advances, of \$6,447,340 differed from final budget expenditures by \$131,679.

Capital Assets and Debt Administration

At the end of fiscal year 2012, the School District had \$26,496,290 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

Table 4
Capital Assets at June 30 (Net of Depreciation)

	<u>2012</u>	<u>2011</u>
Land	\$28,935	\$28,935
Construction in Progress	23,886,661	19,206,352
Land Improvements	45,893	25,961
Buildings and Improvements	834,985	1,514,099
Furniture and Equipment	1,191,449	451,064
Vehicles	465,603	309,424
Textbooks	42,764	62,981
Total	<u><u>\$26,496,290</u></u>	<u><u>\$21,598,816</u></u>

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

All capital assets, except land, are reported net of depreciation. As one can see, capital assets increased during the fiscal year by \$4,897,474 due to capital assets additions of \$5,767,369 exceeding current year depreciation of \$239,843 and net deletions of \$630,052. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Debt

At June 30 2012, the District had general obligation bonds in the amount of \$10,776,558 outstanding. This balance included serial and term bonds of \$10,520,000, a premium of \$144,077, capital appreciation bonds of \$68,164 and accretion on the capital appreciation bonds of \$44,317. The District made its scheduled payment of \$200,000 during the fiscal year and is scheduled to make a payment of \$220,000 next fiscal year. The District also issued a loan for \$117,000 to purchase school busses during the fiscal year. The balance on this loan at fiscal year-end was \$88,594. For more information on the School District's long-term obligations, see Note 17 to the basic financial statements.

School District Outlook

The Western Reserve Local School District has continued to maintain a high level of service to our students, parents and community. The Western Reserve Local School District earned an "Excellent" rating on the State rating scale for eight consecutive years, fiscal year 2002 through fiscal year 2009. In fiscal year 2010 the District earned an "Excellent with Distinction" rating, meeting 26 out of the 26 State indicators. For fiscal years 2011 and 2012, the District again earned an "Excellent" rating. The School District's average cost per pupil is \$9,023, compared to the State average of \$10,571. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are doing everything in their power to make sure tax dollars are being used efficiently and effectively.

The financial future of the School District is not without its challenges. The School District is not anticipating any growth in State revenue, as evidenced by the current year's unpredictable budget. Not only is there no increase for our School District but very possibly the District will have a reduction in funding. There is not an outcome of the State's educational funding system that was declared unconstitutional in 1997. Ohio is still in the process of trying to adjust its school-funding model. Therefore the School District relies heavily on its taxpayers to support its operations. The District's three emergency levies have been renewed for ten-year periods, the first not expiring until 2019.

As a result of the challenges mentioned above, it is imperative that the School District's management continue to carefully and prudently plan in order to try to provide the resources required to meet student needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Carol E. Brobst, Treasurer, Western Reserve Local School District, 13850 Akron-Canfield Road, Berlin Center, Ohio 44401. The Treasurer may also be contacted by phone at 330-547-4100, extension 23203, or by email at cbrobst@wrls.k12.oh.us.

Western Reserve Local School District

Mahoning County, Ohio

*Statement of Net Assets
June 30, 2012*

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Unit</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,972,104	\$0
Accrued Interest Receivable	412	0
Accounts Receivable	55,231	0
Intergovernmental Receivable	70,381	4,522
Property Taxes Receivable	3,625,636	0
Inventory Held for Resale	1,126	0
Materials and Supplies Inventory	77,257	0
Nondepreciable Capital Assets	23,915,596	0
Depreciable Capital Assets, Net	2,580,694	73,028
<i>Total Assets</i>	<u>34,298,437</u>	<u>77,550</u>
Liabilities		
Accounts Payable	4,169	21,175
Accrued Wages and Benefits Payable	547,026	0
Contracts Payable	213,364	0
Intergovernmental Payable	162,296	0
Matured Compensated Absences Payable	18,332	0
Deferred Revenue	3,333,992	0
Accrued Interest Payable	203,346	0
Long-Term Liabilities:		
Due Within One Year	279,189	0
Due In More Than One Year	11,175,391	0
<i>Total Liabilities</i>	<u>15,937,105</u>	<u>21,175</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	15,675,455	73,028
Restricted for:		
Capital Projects	1,074,562	0
Debt Service	563,910	0
Other Purposes	230,834	4,522
Set-asides	67,313	0
Unrestricted (Deficit)	749,258	(21,175)
<i>Total Net Assets</i>	<u>\$18,361,332</u>	<u>\$56,375</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Governmental	Component Unit
Governmental Activities					
Current:					
Instruction:					
Regular	\$2,896,328	\$369,020	\$24,992	(\$2,502,316)	\$0
Special	837,055	90,620	134,118	(612,317)	0
Vocational	125,291	12,565	250,000	137,274	0
Adult/Continuing	3,645	0	1,907	(1,738)	0
Other	78,025	0	78,369	344	0
Support Services:					
Pupils	297,023	38,274	0	(258,749)	0
Instructional Staff	416,321	32,717	40,324	(343,280)	0
Board of Education	22,034	2,839	0	(19,195)	0
Administration	701,480	87,755	0	(613,725)	0
Fiscal	276,778	33,646	0	(243,132)	0
Business	34,410	1,038	0	(33,372)	0
Operation and Maintenance of Plant	794,802	80,123	0	(714,679)	0
Pupil Transportation	420,783	55,333	0	(365,450)	0
Central	20,746	2,673	0	(18,073)	0
Operation of Non-Instructional Services	24,649	1,492	0	(23,157)	0
Operation of Food Services	253,082	174,238	96,173	17,329	0
Extracurricular Activities	416,406	151,436	10,966	(254,004)	0
Interest and Fiscal Charges	461,158	0	0	(461,158)	0
<i>Total Governmental Activities</i>	\$8,080,016	\$1,133,769	\$636,849	(6,309,398)	0
Component Unit:					
Kindergarten Learning Academy	\$163,455	\$692	\$21,154	0	(141,609)
General Revenues					
Property Taxes Levied for:					
General Purposes				2,575,219	0
Debt Service				586,446	0
Capital Outlay				149,781	0
Other Purposes				46,027	0
Grants and Entitlements not					
Restricted to Specific Programs				3,305,329	147,914
Investment Earnings				24,214	17
Miscellaneous				102,320	0
<i>Total General Revenues</i>				6,789,336	147,931
Special Items					
Lease Bonus Payment				259,693	0
Insurance Proceeds				14,125	0
<i>Total Special Items</i>				273,818	0
Change in Net Assets				753,756	6,322
<i>Net Assets Beginning of Year</i>				17,607,576	50,053
<i>Net Assets End of Year</i>				\$18,361,332	\$56,375

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,625,053	\$514,943	\$1,224,713	\$504,055	\$3,868,764
Accrued Interest Receivable	412	0	0	0	412
Accounts Receivable	52,131	0	0	3,100	55,231
Interfund Receivable	36,085	0	0	0	36,085
Intergovernmental Receivable	1,390	0	18,059	50,932	70,381
Property Taxes Receivable	2,785,719	617,835	0	222,082	3,625,636
Inventory Held for Resale	0	0	0	1,126	1,126
Materials and Supplies Inventory	76,886	0	0	371	77,257
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	67,313	0	0	0	67,313
Total Assets	\$4,644,989	\$1,132,778	\$1,242,772	\$781,666	\$7,802,205
Liabilities					
Accounts Payable	\$4,169	\$0	\$0	\$0	\$4,169
Accrued Wages and Benefits Payable	511,059	0	0	35,967	547,026
Contracts Payable	0	0	212,644	720	213,364
Intergovernmental Payable	147,718	0	0	14,578	162,296
Matured Compensated Absences Payable	18,332	0	0	0	18,332
Interfund Payable	0	0	0	36,085	36,085
Deferred Revenue	2,785,719	617,835	0	247,082	3,650,636
Total Liabilities	3,466,997	617,835	212,644	334,432	4,631,908
Fund Balances					
Nonspendable	76,886	0	0	1,497	78,383
Restricted	0	514,943	1,030,128	421,407	1,966,478
Committed	67,313	0	0	51,264	118,577
Assigned	48,106	0	0	0	48,106
Unassigned	985,687	0	0	(26,934)	958,753
Total Fund Balances	1,177,992	514,943	1,030,128	447,234	3,170,297
Total Liabilities and Fund Balances	\$4,644,989	\$1,132,778	\$1,242,772	\$781,666	\$7,802,205

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012*

Total Governmental Fund Balances	\$3,170,297
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,496,290
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	291,644
Intergovernmental Grants	<u>25,000</u>
Total	316,644
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	36,027
In the statement of activities, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due.	(203,346)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds (Term & Serial)	(10,520,000)
Capital Appreciation Bonds	(68,164)
Accretion on Capital Appreciation Bonds	(44,317)
Premium on Bonds Payable	(144,077)
Bus Loan Payable	(88,594)
Compensated Absences	<u>(589,428)</u>
Total	<u>(11,454,580)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$18,361,332</u></u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$2,551,477	\$584,887	\$0	\$193,470	\$3,329,834
Tuition and Fees	812,136	0	0	0	812,136
Interest	6,584	439	16,634	557	24,214
Charges for Services	0	0	0	163,722	163,722
Extracurricular Activities	22,895	0	0	123,074	145,969
Rentals	1,426	0	0	0	1,426
Contributions and Donations	14,702	0	0	4,371	19,073
Intergovernmental	2,780,519	92,882	723,117	640,355	4,236,873
Miscellaneous	96,650	0	1,633	4,037	102,320
Total Revenues	6,286,389	678,208	741,384	1,129,586	8,835,567
Expenditures					
Current:					
Instruction:					
Regular	2,871,085	0	0	20,118	2,891,203
Special	697,546	0	0	133,805	831,351
Vocational	114,661	0	0	250,000	364,661
Adult/Continuing	0	0	0	3,645	3,645
Other	0	0	0	78,025	78,025
Support Services:					
Pupils	295,277	0	0	0	295,277
Instructional Staff	255,117	0	0	123,577	378,694
Board of Education	22,034	0	0	0	22,034
Administration	668,459	11	0	20,452	688,922
Fiscal	284,025	11,753	0	3,915	299,693
Business	8,054	0	0	25,770	33,824
Operation and Maintenance of Plant	619,953	0	0	86,654	706,607
Pupil Transportation	428,085	0	0	128,583	556,668
Central	20,746	0	0	0	20,746
Operation of Non-Instructional Services	11,581	0	0	13,068	24,649
Operation of Food Services	0	0	0	241,341	241,341
Extracurricular Activities	220,103	0	0	171,118	391,221
Capital Outlay	35,337	0	4,612,247	88,694	4,736,278
Debt Service:					
Principal Retirement	0	200,000	0	28,406	228,406
Interest and Fiscal Charges	0	448,350	0	2,090	450,440
Total Expenditures	6,552,063	660,114	4,612,247	1,419,261	13,243,685
Excess of Revenues Over (Under) Expenditures	(265,674)	18,094	(3,870,863)	(289,675)	(4,408,118)
Other Financing Sources (Uses)					
Proceeds of Loan	0	0	0	117,000	117,000
Proceeds from Sale of Capital Assets	34,211	0	0	0	34,211
Transfers In	0	0	0	41,831	41,831
Transfers Out	(41,831)	0	0	0	(41,831)
Total Other Financing Sources (Uses)	(7,620)	0	0	158,831	151,211
Special Items					
Lease Bonus Payment	259,693	0	0	0	259,693
Insurance Proceeds	14,125	0	0	0	14,125
Total Special Items	273,818	0	0	0	273,818
Net Change in Fund Balances	524	18,094	(3,870,863)	(130,844)	(3,983,089)
Fund Balances Beginning of Year	1,177,468	496,849	4,900,991	578,078	7,153,386
Fund Balances End of Year	\$1,177,992	\$514,943	\$1,030,128	\$447,234	\$3,170,297

See accompanying notes to the basic financial statements

Western Reserve 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, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$3,983,089)

***Amounts reported for governmental activities in the
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	5,767,369	
Current Year Depreciation	(239,843)	
Total		5,527,526

The net effect of various transactions involving capital assets (i.e.; disposals and sales) is a reduction in net assets.

Assets Disposed	(3,136,545)	
Accumulated Depreciation on Disposals	2,506,493	
Total		(630,052)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	27,639	
Intergovernmental Grants	23,160	
OSFC Grants	(336,928)	
Total		(286,129)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

Bus Loan Issued		(117,000)
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Repayment of long-term debt and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

228,406

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	2,148	
Accretion on Capital Appreciation Bonds	(18,747)	
Amortization of Bond Premium	5,881	
Total		(10,718)

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 the governmental funds.

24,812

Change in Net Assets of Governmental Activities

\$753,756

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,512,951	\$2,551,477	\$2,551,477	\$0
Tuition and Fees	835,752	811,240	811,240	0
Interest	6,570	6,377	6,377	0
Extracurricular Activities	1,943	1,886	1,886	0
Rentals	1,856	1,802	1,802	0
Contributions and Donations	6,387	6,200	6,200	0
Intergovernmental	2,864,257	2,780,250	2,780,250	0
Miscellaneous	14,437	54,733	54,733	0
<i>Total Revenues</i>	<u>6,244,153</u>	<u>6,213,965</u>	<u>6,213,965</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular	2,849,593	2,905,667	2,905,667	0
Special	679,387	692,421	692,421	0
Vocational	112,902	115,144	115,144	0
Support Services:				
Pupils	300,485	306,745	306,745	0
Instructional Staff	255,856	260,996	260,996	0
Board of Education	21,621	22,034	22,034	0
Administration	628,790	641,014	641,014	0
Fiscal	288,207	297,380	297,380	0
Operation and Maintenance of Plant	605,961	619,583	619,583	0
Pupil Transportation	426,929	435,121	435,121	0
Central	20,357	20,746	20,746	0
Operation of Non-Instructional Services	11,364	11,581	11,581	0
Extracurricular Activities	211,213	215,250	215,250	0
Capital Outlay	34,675	35,337	35,337	0
<i>Total Expenditures</i>	<u>6,447,340</u>	<u>6,579,019</u>	<u>6,579,019</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(203,187)</u>	<u>(365,054)</u>	<u>(365,054)</u>	<u>0</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	34,211	34,211	0
Lease Bonus Payment	0	259,693	259,693	0
Insurance Proceeds	0	14,125	14,125	0
Advances Out	(36,085)	(36,085)	(36,085)	0
Transfers Out	(43,972)	(43,972)	(43,972)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(80,057)</u>	<u>227,972</u>	<u>227,972</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(283,244)</u>	<u>(137,082)</u>	<u>(137,082)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	1,776,865	1,776,865	1,776,865	0
Prior Year Encumbrances Appropriated	4,207	4,207	4,207	0
<i>Fund Balance End of Year</i>	<u>\$1,497,828</u>	<u>\$1,643,990</u>	<u>\$1,643,990</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

Statement of Fund Net Assets

Proprietary Fund

June 30, 2012

	<u>Internal Service</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$36,027
Liabilities	
	<u>0</u>
Net Assets	
Unrestricted	<u><u>\$36,027</u></u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012*

	<u>Internal Service</u>
Operating Revenues	\$0
Operating Expenses	<u>0</u>
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	<u>36,027</u>
<i>Net Assets End of Year</i>	<u><u>\$36,027</u></u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2012

	<u>Internal Service</u>
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	\$0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>36,027</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$36,027</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$0</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,076</u>
Liabilities	
Due to Students	\$11,617
Undistributed Monies	1,459
<i>Total Liabilities</i>	<u>\$13,076</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

Western Reserve Local School District (the "School 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 School District operates under a locally elected five-member Board form of government. The School District is located in Berlin Center, Ohio, Mahoning County. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's three instructional/support facilities staffed by 32 classified employees, 59 certified employees and 4 administrators who provide services to approximately 740 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Western Reserve Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the School District has one component unit.

Component Unit

Western Reserve Kindergarten Learning Academy ("Academy") The Academy is a legally separate, conversion community school, served by a three person Board of Directors. The Academy focuses on an innovative approach to meet the needs of young students, who in many instances have little or no exposure to formal education, by utilizing an all day, every day approach to kindergarten that allows for rapid accelerated learning depending on the student's assessed needs.

The three person Board of directors, appointed by the District, consists of one Ellsworth Township Trustee, a School Improvement Consultant from the State Support Team, Region 5 and a licensed social worker who is also a member of the community. The District sponsored the Academy during fiscal year 2012 under Ohio Revised Code Section 3314. Based on the significant services provide by the District to the Academy, the Academy's purpose of service to the students within the District, and the relationship between the Governing Board of the District and the Board of Directors of the Academy, the Academy is a component unit of the District. For more information see note 22 to the basic financial statements.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The School District participates in two jointly governed organizations and three public entity risk pools. These organizations are the Mahoning County Career and Technical Center, Area Cooperative Computerized Educational Service System Council of Governments, Mahoning County Schools Employee Insurance Consortium, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Ohio School Plan. These organizations are presented in Notes 11 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Fund Accounting

The School 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.

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

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

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are restricted for the payment of principal and interest and fiscal charges on general obligation debt.

Classroom Facilities Fund - This fund was established pursuant to Sections 3318.080 and 3318.15, Ohio Revised Code, and accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the construction and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose uses are restricted, committed or assigned to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for vision claims of the School District's employees.

Fiduciary Fund Types 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and unclaimed monies.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School 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 7). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The 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. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the object level within each fund and function.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. 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 during the fiscal year.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2012, the School District's investments were limited to repurchase agreements.

Western Reserve Local School District
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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$6,584, none of which was assigned from other School District funds.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include a reserve for budget stabilization. See Note 19 for additional information regarding set asides.

I. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. 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. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2012, the School District's capitalization threshold was five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 years
Buildings and Improvements	20 - 100 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 20 years
Textbooks	5 years

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J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 government-wide statement of net assets reports restricted net assets of \$1,936,619, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for the operation of instructional services, support services and extracurricular activities.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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 category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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. 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 or 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 the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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 used only to report a deficit 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 either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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. Bond Premium

On the government wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

P. Interfund Balances

On the fund financial statements, receivables and payables resulting short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets.

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 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. During fiscal year 2012, the District received \$259,693 in lease bonus payments to lease its mineral rights. The District also received \$14,125 in insurance proceeds. These amounts were reported as special items in the basic financial statements.

S. Estimates

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

Note 3 – Change in Accounting Principle

For fiscal year 2012, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53".

GASB Statement No. 64 improves financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The implementation of GASB Statement No. 64 did not have any effect on the District's financial statements.

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 – Fund Deficits

Fund balances at June 30, 2012 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
IDEA Part B Grant	\$1,041
Title I	741
Improving Teacher Quality	152
Miscellaneous Federal Grants	25,000

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.
5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the uniform school supplies, rotary special services, public school support and special enterprise special revenue funds.

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Notes to the Basic Financial Statements
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance
GAAP Basis	\$524
Net Adjustment for Revenue Accruals	(64,930)
Advances Out	(36,085)
Net Adjustment for Expenditure Accruals	(22,532)
Net Adjustment for Funds Budgeted as Special Revenue	(7,494)
Adjustment for Encumbrances	<u>(6,565)</u>
Budget Basis	<u><u>(\$137,082)</u></u>

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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.

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

Interim monies held by the School District can 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 payment of 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, 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 securities listed above;

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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4. Bonds and other obligations of the State of Ohio or Ohio local governments;
 5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
 7. The State Treasurer's investment pool (STAROhio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

At June 30, 2012, the carrying value amount of all the District's deposits was \$1,031,064. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2012, \$40,000 of the District's bank balance of \$1,291,001 was exposed to custodial risk as described below, while \$1,251,001 was covered by the Federal Deposit Insurance Corporation (FDIC).

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2012, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$2,954,116	6 Months or Less

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. State statute limits investments in repurchase agreements to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The underlying securities of the Repurchase Agreements carry either a credit rating of AAA or Aaa by Standard and Poors and Moody's. The School District has no investment policy that addresses credit risk.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2012:

Investment	Percent of Total
Repurchase Agreements	100.00%

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Assets</u>	
Carrying amount of deposits	\$1,031,064	Governmental Activities	\$3,972,104
Investments	2,954,116	Agency Funds	13,076
Total	\$3,985,180		\$3,985,180

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2012 and June 30, 2011.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$88,309,060	95.36 %	\$91,758,280	95.24 %
Public Utility Personal	4,301,090	4.64	4,584,290	4.76
Total	\$92,610,150	100.00 %	\$96,342,570	100.00 %
 Tax rate per \$1,000 of assessed valuation	 \$54.40		 \$52.80	

Note 8 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental	Total
<i>Nonspendable</i>					
Inventory	\$76,886	\$0	\$0	\$1,497	\$78,383
<i>Restricted for</i>					
Food Service Operations	0	0	0	428	428
Technology Improvements	0	0	0	580	580
Classroom Maintenance	0	0	0	173,736	173,736
Athletics & Music	0	0	0	16,425	16,425
Debt Service Payments	0	514,943	0	0	514,943
Capital Improvements	0	0	1,030,128	230,238	1,260,366
Total Restricted	0	514,943	1,030,128	421,407	1,966,478
<i>Committed to</i>					
College Scholarships	0	0	0	51,264	51,264
Budget Stabilization	67,313	0	0	0	67,313
Total Committed	67,313	0	0	51,264	118,577
<i>Assigned to</i>					
Other Purposes	41,811	0	0	0	41,811
Encumbrances	6,295	0	0	0	6,295
Total Assigned	48,106	0	0	0	48,106
Unassigned (Deficit)	985,687	0	0	(26,934)	958,753
Total Fund Balances	\$1,177,992	\$514,943	\$1,030,128	\$447,234	\$3,170,297

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Receivables

Receivables at June 30, 2012 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and interest. All receivables except for delinquent property taxes are expected to be collected within one year.

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

Property Taxes	\$3,625,636
Intergovernmental	70,381
Accounts	55,231
Accrued Interest	412
Total Receivables	<u>\$3,751,660</u>

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$28,935	\$0	\$0	\$28,935
Construction in progress	19,206,352	4,680,309	0	23,886,661
Total capital assets not being depreciated	19,235,287	4,680,309	0	23,915,596
<i>Capital assets being depreciated:</i>				
Land improvements	34,206	21,969	0	56,175
Buildings and improvements	5,800,969	0	(2,762,252)	3,038,717
Furniture, fixtures and equipment	1,259,056	837,265	(178,628)	1,917,693
Vehicles	708,968	227,826	(125,665)	811,129
Textbooks	507,079	0	(70,000)	437,079
Total capital assets being depreciated	8,310,278	1,087,060	(3,136,545)	6,260,793
<i>Accumulated depreciation:</i>				
Land improvements	(8,245)	(2,037)	0	(10,282)
Buildings and improvements	(4,286,870)	(113,849)	2,196,987	(2,203,732)
Furniture, fixtures and equipment	(807,992)	(56,248)	137,996	(726,244)
Vehicles	(399,544)	(47,492)	101,510	(345,526)
Textbooks	(444,098)	(20,217)	70,000	(394,315)
Total accumulated depreciation	(5,946,749)	(239,843) *	2,506,493	(3,680,099)
Capital assets being depreciated, net	2,363,529	847,217	(630,052)	2,580,694
Governmental activities capital assets, net	\$21,598,816	\$5,527,526	(\$630,052)	\$26,496,290

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$29,534
Vocational	27,783
Support Services:	
Instructional Staff	38,848
Business	586
Operation and Maintenance of Plant	50,865
Pupil Transportation	66,463
Operation of Food Services	579
Extracurricular Activities	25,185
	<hr/>
Total Depreciation Expense	<u>\$239,843</u>

Note 11 - Jointly Governed Organizations

A. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts. The students of each participating school district may attend classes offered at the vocational facility. During fiscal year 2012, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406.

B. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System/ACCESS Assembly (ACCESS) is a consortium of twenty-six school districts in Mahoning and Columbiana Counties, two educational service centers, twenty non-public schools and two Special Education Regional Resource Centers.

The jointly governed organization was formed for the purpose of utilizing computers and other electronic equipment for administrative and instructional functions among member districts. These include educational management information system services, fiscal services, library services, network services and student services.

ACCESS is governed by an Assembly, which makes all decisions regarding programs, fees, budget and policy. The Assembly is composed of the Superintendent of each of the member districts. Assembly members may designate proxy attendees at meetings for voting purposes. The Assembly meets twice per year, once in November and once in May. Budgets and fees are discussed at the fall meeting, while the Board of Directors are chosen at the spring meeting.

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While the Assembly has overall governance for ACCESS, the Board of Directors is selected to make the majority of the day to day operational decisions. Everything from equipment purchases, contracts, personnel action and financial oversight is handled by the Board. The Board is made up of two superintendents each from both Mahoning and Columbiana counties, and the superintendents from both the Mahoning County and Columbiana County Educational Service Centers. The ACCESS Executive Director and the Treasurer are also part of the Board of Directors, but are non-voting members.

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2012. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

Note 12 - Risk Management

A. Workers' Compensation

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

B. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District joined together with other School Districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. During fiscal year 2012, the School District contracted with the Ohio School Plan for various types of significant insurance as follows:

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Notes to the Basic Financial Statements
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Coverage	Amount	Deductible
Building/Contents Property	\$19,129,730	\$1,000
Flood	1,000,000	25,000
Earthquakes	1,000,000	25,000
Violence - Aggregate	1,000,000	0
Crime	25,000/10,000	1,000
Automobile Liability	3,000,000	1,000
Uninsured Motorists	1,000,000	0
General Liability:		
Per occurrence	4,000,000	n/a
Total per year	6,000,000	n/a
Employers' Liability	4,000,000	n/a
Legal Liability:		
Injury Limit	4,000,000	2,500
Aggregate	6,000,000	0
Fiduciary Liability:		
Claim Limit	4,000,000	2,500
Aggregate	6,000,000	0

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

C. Employee Medical Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, prescription drug, and dental benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of various Mahoning County school districts. Rates are set through an annual calculation process. The Western Reserve Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays medical/surgical premiums of \$943 for family coverage, \$337 for single coverage, \$707 for employee plus spouse, and \$572 for employee plus child/children per employee per month. The School District pays \$76 for family dental coverage, \$32 for single dental coverage, \$60 for employee plus spouse dental coverage, and \$53 for employee plus child/children dental coverage. The School District also pays \$250 for family prescription drug coverage, \$89 for single prescription drug coverage, \$188 for employee plus spouse, and \$152 for employee plus child/children prescription drug coverage per month. The School District also pays vision of \$13 for family, \$4 for single vision coverage, \$8 for employee plus spouse vision coverage and \$8 for employee plus child/children vision coverage per employee per month.

In previous years, the School District elected to provide vision benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Medical Mutual, located in Cleveland, Ohio, reviews and pays all claims which are then reimbursed by the School District. The District is no longer self-insured for vision benefits but keeps a small balance in its internal service fund until it is certain no more claims will need to be paid.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 – Pension Plans

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$110,741, \$99,163, and \$109,248, respectively; 42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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.

Plan Options - New members have a choice of three retirement plan; 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 multiplies by a percentage that varies based on years of service, or an allowance based on a member's 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 lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by the Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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.

Western Reserve Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$402,020, \$422,698, and \$423,444, respectively; 90 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC and Combined Plans for fiscal year 2012 were \$18,289 made by the School District and \$13,063 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 – Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$6,540, \$6,381 and \$6,497, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is 0.55 percent. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$26,114, \$24,916 and \$20,808, respectively; 42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2012, 2011 and 2010 were \$30,925, \$32,515 and \$32,573 respectively; 90 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 15 - Employee Benefits

A. Life Insurance

The School District provides life insurance to all regular employees. Coverage is \$40,000 for administrators and certified employees, \$30,000 for classified employees and \$10,000 for spouses. Life insurance is provided through Assurant Employee Benefits.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon retirement. Teachers do not earn vacation time. Administrators earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month with unlimited accumulation. Upon retirement, employees receive payment for sick leave accumulation based upon their length of service, up to a maximum of 30 days, plus sixteen percent of their remaining accumulated sick leave. Upon retirement and with at least five years of service, the superintendent and the treasurer receive payment for fifty percent of accumulated unused sick leave.

Note 16 - Interfund Transfers

The general fund made transfers to the district managed student activity fund and the educational management information systems special revenue fund in the amounts of \$21,532 and \$20,299, respectively. 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 authorization. Transfers are also used to close out the funds that are no longer required.

Note 17 - Long-term Obligations

Changes in the School District's long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts due in One Year
General Obligation Bonds:					
2009 Ohio School Facilities Bonds					
Current Interest Serial Bonds 2.5% - 4.75%	\$5,825,000	\$0	(\$200,000)	\$5,625,000	\$220,000
Current Interest Term Bonds 4.75%	4,895,000	0	0	4,895,000	0
Capital Appreciation Bonds 20.0%	68,164	0	0	68,164	0
Accretion on C.A.B.'s	25,570	18,747	0	44,317	0
Unamortized Premium on Bonds	149,958	0	(5,881)	144,077	0
Total General Obligation Bonds	10,963,692	18,747	(205,881)	10,776,558	220,000
Other Long-Term Obligations:					
School Bus Loan	0	117,000	(28,406)	88,594	38,741
Compensated Absences	614,240	35,400	(60,212)	589,428	20,448
Total Other Long-Term Obligations	614,240	152,400	(88,618)	678,022	59,189
Total Long-Term Obligations	\$11,577,932	\$171,147	(\$294,499)	\$11,454,580	\$279,189

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

On September 16, 2009, the District issued \$11,243,164 in classroom facilities bonds for the construction of new schools. The bonds were issued for a twenty-seven year period, will mature on January 1, 2037 and will be paid using tax revenue from the debt service fund. The bond issue included \$6,280,000 in serial bonds with rates ranging from 2.5 to 4.375 percent, \$4,895,000 in term bonds with a rate of 4.75 percent and was issued at a premium of \$158,779.

The 2009 classroom facilities general obligation bonds include capital appreciation bonds of \$68,164 with a rate of 20 percent. This year the addition on these bonds aggregating \$18,747 represents the accretion of discounted interest. The final maturity of these bonds on January 15, 2019 is \$390,000.

During 2011, the District entered into a loan agreement with Farmer's National Bank for the purchase of two new school busses. The loan was issued for \$117,000 at an interest rate of 2.59 percent and will mature on September 1, 2014. Payments will be made quarterly from the permanent improvement capital projects fund.

Compensated absences will be paid from the general fund and the food service special revenue fund and the early retirement incentive payable will be paid from the general fund.

The School District's overall legal debt margin was \$1,631,155 with an unvoted debt margin of \$96,343 at June 30, 2012. Principal requirements to retire general obligation debt outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	220,000	443,350	663,350	\$0	\$0	\$0
2014	225,000	437,850	662,850	0	0	0
2015	255,000	432,225	687,225	0	0	0
2016	280,000	425,212	705,212	0	0	0
2017	290,000	416,813	706,813	0	0	0
2018 - 2022	1,275,000	1,972,866	3,247,866	68,164	321,836	390,000
2023 - 2027	2,110,000	1,639,468	3,749,468	0	0	0
2028 - 2032	2,595,000	1,151,486	3,746,486	0	0	0
2033 - 2037	3,270,000	480,224	3,750,224	0	0	0
Total	\$10,520,000	\$7,399,494	\$17,919,494	\$68,164	\$321,836	\$390,000

Fiscal Year Ending June 30,	Farmers National Bank School Bus Loan		
	Principal	Interest	Total
	2013	\$38,741	\$1,921
2014	39,753	907	40,660
2015	10,100	65	10,165
Total	\$88,594	\$2,893	\$91,487

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 18 - Public Entity Risk Pools

A. Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of various 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. A member can withdraw from participation in the Consortium by notifying the fiscal agent on or before January 15 of the year preceding the fiscal year in which the School District will withdraw. If the School District withdraws, no further contribution would be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

B. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Note 19 - Set-Asides

In prior years, the District was 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. However, this State statute was repealed by 129th General Assembly, File No. 8, HB 30, § 2, eff. 7/1/11.

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

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

	Capital		Budget
	Textbooks	Improvements	Stabilization
Set-Aside Reserve Balance as of June 30, 2011	\$162,894	\$0	\$67,313
Current Year Set-Aside Requirement	0	123,975	0
Qualifying Disbursements	0	(5,875,505)	0
Current Year Offsets	0	(239,209)	0
State Statute Repealed, Effectice 7/1/11	(162,894)	0	0
Total	\$0	(\$5,990,739)	\$67,313
Set-Aside Balance Carried Forward to Future Fiscal Years	\$0	\$0	\$67,313
Cash balance as of June 30, 2012	\$0	\$0	\$67,313

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2012, only the unspent portion of certain workers' compensation refunds continue to be set aside.

Note 20 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2012.

Note 21 - Operating Lease

The School District entered into a 60 month photocopy machines lease and maintenance agreement with American Business Center, Inc., for \$1,455 a month, commencing on January 1, 2007 and concluding in December of 2011 with the District making payments of \$8,730 in fiscal year 2012.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 22 – Western Reserve Kindergarten Learning Academy Community School

The Western Reserve Kindergarten Learning Academy (the ‘Academy’) has been determined to be a discretely presented component unit. The District’s management has determined that it is significant; therefore it has been included as part of the District’s basic financial statements. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. The report may be obtained by writing to the Western Reserve Local School District, 13850 Akron-Canfield Road, Berlin Center, Ohio 44401.

A. Significant Accounting Policies

Accounting Basis - The basic financial statements (BFS) of the Academy 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 Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict or contradict GASB pronouncements. The Academy does not apply FASB Statements and Interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Measurement Focus and Basis of Accounting - Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy’s contract with its Sponsor. The contract between the Academy and its Sponsor requires the Academy to submit a financial plan detailing an estimated Academy budget for each fiscal year of the contract, or five years, whichever is less.

Cash - Cash received by the Academy is maintained in a demand deposit account.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Capital Assets and Depreciation - Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. 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 capitalized.

All capital assets are depreciated using the straight-line method. Equipment is depreciated over ten years.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Intergovernmental Revenues - The Academy currently participates in the State Foundation Program and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

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

Tax Exemption Status - The Academy is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the Academy qualifying as an integral part of the Western Reserve Local School District.

B. Deposits and Investments

At June 30, 2012, the carrying amount of all Academy deposits was \$0. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, all of the Academy's bank balance of \$42,835 was covered by the Federal Deposit Insurance Corporation, meaning none was exposed to custodial risk, as discussed below.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 Academy.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12
<i>Capital assets being depreciated:</i>				
Furniture, fixtures and equipment	\$80,444	\$22,156	\$0	\$102,600
<i>Less Accumulated depreciation:</i>				
Furniture, fixtures and equipment	(17,245)	(12,327)	0	(29,572)
Capital assets being depreciated, net	\$63,199	\$9,829	\$0	\$73,028

D. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2012, professional liability is provided through the Ohio School Plan, under the Western Reserve Local School District's policy, with a \$4,000,000 annual aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible.

E. Purchased Services

For fiscal year ended June 30, 2012, purchased service expenses were as follows:

Professional and Technical Services	\$107,068
Other	3,000
Total	\$110,068

F. Service Agreement

Area Cooperative Computerized Educational Service System (ACCESS) - The Academy entered into a one-year agreement commencing on July 1, 2011 and ending June 30, 2012, with ACCESS for internet access, electronic mail and the Ohio Uniform School Accounting System (USAS). Separate and apart from this agreement, the Academy agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the Academy's facilities. Through its Sponsor, the Academy paid ACCESS a monthly service fee during fiscal year 2012.

Western Reserve Local School District

Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

G. Contingency – Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenses 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

H. School Closure

Due to the 2012 fiscal year-end balance, the declining projected enrollment for the 2012-2013 school year and the lack of available federal and state grants, the Western Reserve Kindergarten Learning Academy permanently closed and ceased operation on June 30, 2012. Future kindergarten students will be enrolled in the Academy's Sponsor District, Western Reserve Local School District.

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WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Nutrition Cluster:</i>				
National School Lunch Program	2012	10.555	\$82,031	\$82,031
Non-Cash Assistance:				
National School Lunch Program	2012	10.555	10,371	9,245
<i>Total Nutrition Cluster</i>			<u>92,402</u>	<u>91,276</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	2012	84.010	<u>78,369</u>	<u>78,369</u>
Special Education Cluster (IDEA)				
Special Education Grants to States	2011	84.027		16,849
Special Education Grants to States	2102	84.027	129,704	112,114
<i>Total Special Education Grants to States</i>			<u>129,704</u>	<u>128,963</u>
Education Jobs Funds	2012	84.410	<u>4,376</u>	<u>4,376</u>
Race to the Top (ARRA)	2012	84.395	<u>29,644</u>	<u>38,316</u>
Improving Teacher Quality State Grants Title II, Part A				
Improving Teacher Quality State Grants	2012	84.367	<u>16,018</u>	<u>16,018</u>
Improving Teacher Quality State Grants Title II, Part D				
Education Technology	2012	84.318	<u>560</u>	<u>560</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>258,671</u>	<u>266,602</u>
APPALACHIAN REGIONAL COMMISSION				
<i>Passed Through Governor's Office of Appalachia:</i>				
<i>Passed Through Eastgate Council of Regional Governments:</i>				
Appalachian Regional Development	2012	23.001	<u>250,000</u>	<u>250,000</u>
TOTALS			<u>\$601,073</u>	<u>\$607,878</u>

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Western Reserve Local School District
Mahoning County
13850 Akron-Canfield Road
Berlin Center, Ohio 44401

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2014. We noted the discretely presented component unit, Western Reserve Kindergarten Learning Academy, permanently closed and ceased operation on June 30, 2012.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2014



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

Western Reserve Local School District
Mahoning County
13850 Akron-Canfield Road
Berlin Center, Ohio 44401

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Western Reserve Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Western Reserve Local School District's major federal programs for the year ended June 30, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Western Reserve Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program for the year ended June 30, 2012.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

February 14, 2014

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster – 84.027 Appalachian Regional Development – 23.001
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

1. Controls Over Lunchroom Cash

<i>Finding Number</i>	2012-001
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MATERIAL WEAKNESS

There are inadequate staffing levels to establish cash and reporting controls over the lunchroom cash collection process and the NutriKids Software system. We noted a cashier and not the Cafeteria Manager has the responsibility to generate all of the daily reports for cash collections and Federal reporting of Free/Reduced lunch activity.

<i>Finding Number</i>	2012-001 – (Continued)
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This cashier is also responsible for counting both cash drawers including her own, reconciling cash between collections and the daily NutriKids report, making necessary adjustments to "make the system balance", preparing the daily deposit slip and determining the reasons for any discrepancies. Since the cashier is under the directive to make the "report balance", no discrepancies were noted. Upon further inquiry it was noted that the Cafeteria Manager has limited knowledge of the computer system due to limited training offered by Nutrikids and has no responsibility for cash collections or reporting. Instead, the part time cashier is taking on these responsibilities.

We recommend internal controls over cash and Federal reporting for the lunchroom collection process be increased in the following manner:

- The Cafeteria Manager should print the daily system reports and reconcile cash to the system reports with each cashier present.
- Once cash is reconciled, the cashier should sign off on the daily reports.
- The Cafeteria Manager should complete the deposit slip and place cash into sealed deposit bags daily providing system documentation to the Treasurer's Office which supports the amount of the daily deposit slip.
- Any discrepancies in cash collections should be resolved by the Cafeteria Manager before the end of the cashier's day.
- All system reporting for the day and month should be generated by the Cafeteria Manager, not by a cashier.
- Cashiers should not have the ability to change daily reports or monthly reporting information.
- All back office functions in the system should be controlled by the Cafeteria Manager and the Accounts Receivable Secretary in the Treasurer's Office.

We recommend the Cafeteria Manager obtain training in using the NutriKids system in order to help ensure proper management of the system.

By establishing adequate internal controls over cash collections and reporting, the District may help ensure cash collections are secure and Federal reporting is accurate each month.

Official's Response: The Cafeteria Manager is an employee of the Superintendent. After reviewing the internal control weaknesses with the Treasurer, the Superintendent does not feel that changing the duties of the cashier is necessary to provide adequate cash collections. No changes to the duties of either the cashier or the Cafeteria Manager will be completed by the District.

Auditor of State's Conclusion:

The District needs to implement procedures to help ensure segregation of duties from cash collections and recording the transactions.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	34 CFR 80.21 -The District did not obligate or spend the SFSF monies, \$163,042, within 30 days of receipt in fiscal year 2011, although the money was received throughout the fiscal year.	Yes	No longer valid.

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WESTERN RESERVE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 25, 2014**