



Dave Yost • Auditor of State



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Western Reserve Local School District, Mahoning County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items previously reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

September 3, 2014

**Western Reserve Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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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, 2013. 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 2013 are as follows:

- In total, net position decreased by \$603,069.
- Revenues for governmental activities totaled \$8,009,980 in 2013. Of this total, 80 percent consisted of general revenues while program revenues accounted for 20 percent.
- Program expenses totaled \$8,613,049. Instructional expenses made up 52 percent of this total while support services accounted for 35 percent. Other expenses rounded out the remaining 13 percent.
- General revenues totaled \$6,416,910. Of this total, \$3,428,252 or 53 percent was derived from property taxes, \$2,876,462 or 45 percent from state entitlements and grants and \$112,196 or 2 percent was derived from interest and other miscellaneous revenues.
- The general fund balance was \$1,509,437 on a budget basis at fiscal year end, a decrease of 10 percent from \$1,680,017 at June 30, 2012.

**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 Position 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 and the bond retirement debt service 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, 2013*  
*Unaudited*

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**Reporting the School District as a Whole**

*Statement of Net Position 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 2013?" The *Statement of Net Position* 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 position and the changes in that position. This change in net position 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 Position 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.

**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 and the bond retirement debt service 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 Position 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, 2013*  
*Unaudited*

**The School District as a Whole**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

**Net Position (Table 1)**  
**Governmental Activities**

	2013	2012	Change
<b>Assets</b>			
Current and Other Assets	\$7,269,307	\$7,802,147	(\$532,840)
Capital Assets, Net	26,295,584	26,496,290	(200,706)
<i>Total Assets</i>	<u>33,564,891</u>	<u>34,298,437</u>	<u>(733,546)</u>
<b>Liabilities</b>			
Current Liabilities	1,123,453	1,148,533	(25,080)
Long-Term Liabilities			
Due within One Year	426,369	279,189	147,180
Due in More than One Year	10,813,824	11,175,391	(361,567)
<i>Total Liabilities</i>	<u>12,363,646</u>	<u>12,603,113</u>	<u>(239,467)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,442,982	3,333,992	108,990
<b>Net Position</b>			
Net Investment in Capital Assets	15,739,371	15,675,455	63,916
Restricted	1,548,081	1,936,619	(388,538)
Unrestricted	470,811	749,258	(278,447)
<i>Total Net Position</i>	<u>\$17,758,263</u>	<u>\$18,361,332</u>	<u>(\$603,069)</u>

Total assets decreased by \$733,546. The majority of this decrease can be attributed to a decrease in cash on hand as construction of the new school building through the Ohio Schools Facilities Commission (OSFC) was completed during the fiscal year.

Total liabilities decreased by \$239,467. 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 decreased as evidenced by the overall decrease in net position of \$603,069. The decrease in restricted net position of \$388,538 was due primarily to a decrease in cash on hand.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

Table 2 shows the changes in net position for fiscal year 2013 compared to fiscal year 2012.

**Table 2**  
Change in Net Position  
Governmental Activities

	2013	2012	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,205,903	\$1,133,769	\$72,134
Operating Grants and Contributions	387,167	636,849	(249,682)
<i>Total Program Revenues</i>	<u>1,593,070</u>	<u>1,770,618</u>	<u>(177,548)</u>
<b>General Revenues</b>			
Property Taxes	3,428,252	3,357,473	70,779
Intergovernmental	2,876,462	3,305,329	(428,867)
Investment Earnings	5,772	24,214	(18,442)
Miscellaneous	106,424	102,320	4,104
<i>Total General Revenues</i>	<u>6,416,910</u>	<u>6,789,336</u>	<u>(372,426)</u>
Special Items	0	273,818	(273,818)
<i>Total Revenues</i>	<u>8,009,980</u>	<u>8,833,772</u>	<u>(823,792)</u>
<b>Program Expenses</b>			
Current:			
Instruction:			
Regular	3,312,328	2,896,328	416,000
Special	939,079	837,055	102,024
Vocational	119,425	125,291	(5,866)
Adult/Continuing	17,693	3,645	14,048
Other	74,802	78,025	(3,223)
Support Services:			
Pupils	344,598	297,023	47,575
Instructional Staff	351,441	416,321	(64,880)
Board of Education	49,319	22,034	27,285
Administration	563,640	701,480	(137,840)
Fiscal	357,702	276,778	80,924
Business	168,799	34,410	134,389
Operation and Maintenance of Plant	686,288	794,802	(108,514)
Pupil Transportation	456,552	420,783	35,769
Central	24,018	20,746	3,272
Operation of Non-Instructional Services	6,006	24,649	(18,643)
Operation of Food Services	253,140	253,082	58
Extracurricular Activities	428,918	416,406	12,512
Interest and Fiscal Charges	459,301	461,158	(1,857)
<i>Total Program Expenses</i>	<u>8,613,049</u>	<u>8,080,016</u>	<u>533,033</u>
<i>Change in Net Position</i>	<u>(603,069)</u>	<u>753,756</u>	<u>(1,356,825)</u>
Net Position Beginning of Year	<u>18,361,332</u>	<u>17,607,576</u>	<u>753,756</u>
<i>Net Position End of Year</i>	<u><u>\$17,758,263</u></u>	<u><u>\$18,361,332</u></u>	<u><u>(\$603,069)</u></u>

**Western Reserve Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*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 2012, and a 2.0 percent increase in September of 2013. The classified employee negotiated contract is effective through fiscal year 2014 and includes a 1.25 percent increase in July of 2012, a 1.5 percent increase in July of 2013, 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

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction	\$4,463,327	\$3,347,502	\$3,940,344	\$2,978,753
Support Services:				
Pupils	344,598	344,598	297,023	258,749
Instructional Staff	351,441	315,584	416,321	343,280
Board of Education	49,319	49,319	22,034	19,195
Administration	563,640	521,493	701,480	613,725
Fiscal	357,702	357,702	276,778	243,132
Business	168,799	168,799	34,410	33,372
Operation and Maintenance of Plant	686,288	683,124	794,802	714,679
Pupil Transportation	456,552	456,552	420,783	365,450
Central	24,018	24,018	20,746	18,073
Operation of Non-Instructional Services	6,006	6,006	24,649	23,157
Operation of Food Services	253,140	(11,313)	253,082	(17,329)
Extracurricular Activities	428,918	297,294	416,406	254,004
Interest and Fiscal Charges	459,301	459,301	461,158	461,158
<i>Total Expenses</i>	<u>\$8,613,049</u>	<u>\$7,019,979</u>	<u>\$8,080,016</u>	<u>\$6,309,398</u>

**Western Reserve Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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**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 \$7,795,364 to offset expenditures, excluding other financing uses, of \$8,629,314. The net change in fund balance for the year was most significant in the general fund, which decreased \$414,497. The bond retirement debt service fund balance decreased \$43,674.

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 42 and 41 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 \$6,294,063 were more than the final budget estimates and actual revenues of \$6,217,909, by \$76,154. The variance was due to an overestimate of property tax receipts at the beginning of the year.

Actual budget basis expenditures of \$6,345,380, excluding transfers and advances, were slightly more than final budget expenditures of \$6,342,492. Original budget basis expenditures, excluding transfers and advances, of \$6,803,240 differed from final budget expenditures by \$460,748. The variance was due to a conservative approach of estimating at the beginning of the year.

**Capital Assets and Debt Administration**

At the end of fiscal year 2013, the School District had \$26,295,584 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2013 balances compared to fiscal year 2012:

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

	2013	2012
Land	\$28,935	\$28,935
Construction in Progress	0	23,886,661
Land Improvements	43,856	45,893
Buildings and Improvements	24,671,573	834,985
Furniture and Equipment	1,110,773	1,191,449
Vehicles	417,900	465,603
Textbooks	22,547	42,764
<i>Total</i>	<u>\$26,295,584</u>	<u>\$26,496,290</u>

**Western Reserve Local School District**  
Mahoning County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*  
*Unaudited*

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All capital assets, except land, are reported net of depreciation. As one can see, capital assets decreased during the fiscal year by \$200,706 due to capital assets additions of \$535,545 being less than current year depreciation of \$736,251. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

**Debt**

At June 30 2013, the District had general obligation bonds in the amount of \$10,573,173 outstanding. This balance included serial and term bonds of \$10,300,000, a premium of \$138,196, capital appreciation bonds of \$68,164 and accretion on the capital appreciation bonds of \$66,813. The District made its scheduled payment of \$220,000 during the fiscal year and is scheduled to make a payment of \$225,000 next fiscal year. The District also paid \$38,741 on the school bus loan during the fiscal year. The balance on this loan at fiscal year-end was \$49,853. 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. In fiscal years 2011 and 2012, the District again earned an "Excellent" rating. The School District's average cost per pupil is \$9,489, compared to the State average of \$10,597. 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 Cathy Romack, 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, or by email at [cromack@wrls.k12.oh.us](mailto:cromack@wrls.k12.oh.us).

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**Western Reserve Local School District**

Mahoning County, Ohio

*Statement of Net Position*

*June 30, 2013*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,076,866
Accrued Interest Receivable	45
Accounts Receivable	32,229
Intergovernmental Receivable	98,954
Property Taxes Receivable	3,974,242
Inventory Held for Resale	1,514
Materials and Supplies Inventory	85,457
Nondepreciable Capital Assets	28,935
Depreciable Capital Assets, Net	26,266,649
<i>Total Assets</i>	<u>33,564,891</u>
<b>Liabilities</b>	
Accounts Payable	13,944
Accrued Wages and Benefits Payable	567,838
Intergovernmental Payable	159,242
Matured Compensated Absences Payable	181,667
Accrued Interest Payable	200,762
Long-Term Liabilities:	
Due Within One Year	426,369
Due In More Than One Year	10,813,824
<i>Total Liabilities</i>	<u>12,363,646</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	<u>3,442,982</u>
<b>Net Position</b>	
Net Investment in Capital Assets	15,739,371
Restricted for:	
Capital Projects	701,159
Debt Service	563,832
Other Purposes	215,777
Set-asides	67,313
Unrestricted	470,811
<i>Total Net Position</i>	<u>\$17,758,263</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, 2013*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$3,312,328	\$683,411	\$20,981	(\$2,607,936)
Special	939,079	183,951	120,974	(634,154)
Vocational	119,425	19,695	0	(99,730)
Adult/Continuing	17,693	0	11,915	(5,778)
Other	74,802	0	74,898	96
Support Services:				
Pupils	344,598	0	0	(344,598)
Instructional Staff	351,441	0	35,857	(315,584)
Board of Education	49,319	0	0	(49,319)
Administration	563,640	27,535	14,612	(521,493)
Fiscal	357,702	0	0	(357,702)
Business	168,799	0	0	(168,799)
Operation and Maintenance of Plant	686,288	3,164	0	(683,124)
Pupil Transportation	456,552	0	0	(456,552)
Central	24,018	0	0	(24,018)
Operation of Non-Instructional Services	6,006	0	0	(6,006)
Operation of Food Services	253,140	156,523	107,930	11,313
Extracurricular Activities	428,918	131,624	0	(297,294)
Interest and Fiscal Charges	459,301	0	0	(459,301)
<i>Total Governmental Activities</i>	<u>\$8,613,049</u>	<u>\$1,205,903</u>	<u>\$387,167</u>	<u>(7,019,979)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				2,640,189
				584,069
				157,967
				46,027
Grants and Entitlements not				
				2,876,462
				5,772
				106,424
				<u>6,416,910</u>
				(603,069)
				18,361,332
				<u>\$17,758,263</u>

See accompanying notes to the basic financial statements

**Western Reserve Local School District**  
Mahoning County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,413,806	\$471,179	\$1,124,568	\$3,009,553
Accrued Interest Receivable	45	0	0	45
Accounts Receivable	31,937	0	292	32,229
Interfund Receivable	65,643	0	0	65,643
Intergovernmental Receivable	0	0	98,954	98,954
Property Taxes Receivable	3,056,043	681,258	236,941	3,974,242
Inventory Held for Resale	0	0	1,514	1,514
Materials and Supplies Inventory	84,845	0	612	85,457
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	67,313	0	0	67,313
<i>Total Assets</i>	<u>\$4,719,632</u>	<u>\$1,152,437</u>	<u>\$1,462,881</u>	<u>\$7,334,950</u>
<b>Liabilities</b>				
Accounts Payable	\$4,108	\$0	\$9,836	\$13,944
Accrued Wages and Benefits Payable	533,954	0	33,884	567,838
Intergovernmental Payable	144,338	0	14,904	159,242
Matured Compensated Absences Payable	181,667	0	0	181,667
Interfund Payable	0	0	65,643	65,643
<i>Total Liabilities</i>	<u>864,067</u>	<u>0</u>	<u>124,267</u>	<u>988,334</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,649,955	588,605	204,422	3,442,982
Unavailable Revenue - Property Taxes	406,088	92,653	32,519	531,260
<i>Total Deferred Inflows of Resources</i>	<u>3,056,043</u>	<u>681,258</u>	<u>236,941</u>	<u>3,974,242</u>
<b>Fund Balances</b>				
Nonspendable	84,845	0	612	85,457
Restricted	0	471,179	1,051,951	1,523,130
Committed	103,340	0	52,824	156,164
Assigned	34,198	0	0	34,198
Unassigned (Deficit)	577,139	0	(3,714)	573,425
<i>Total Fund Balances</i>	<u>799,522</u>	<u>471,179</u>	<u>1,101,673</u>	<u>2,372,374</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,719,632</u>	<u>\$1,152,437</u>	<u>\$1,462,881</u>	<u>\$7,334,950</u>

See accompanying notes to the basic financial statements

**Western Reserve Local School District**

Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
For the Fiscal Year Ended June 30, 2013*

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<b>Total Governmental Fund Balances</b>	<b>\$2,372,374</b>
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***Amounts reported for governmental activities in the  
statement of net position are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,295,584
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Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds. Property Taxes	531,260
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In the statement of activities, interest is accrued on outstanding general obligation bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.	(200,762)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(10,300,000)
Capital Appreciation Bonds	(68,164)
Accretion on Bonds	(66,813)
Unamortized Premium	(138,196)
Bus Loan	(49,853)
Compensated Absences	(617,167)

Total	<u>(11,240,193)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$17,758,263</u></u>
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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, 2013*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,459,236	\$540,383	\$189,017	\$3,188,636
Tuition and Fees	887,057	0	0	887,057
Interest	5,074	149	549	5,772
Charges for Services	0	0	156,523	156,523
Extracurricular Activities	30,423	0	128,736	159,159
Rentals	3,164	0	0	3,164
Contributions and Donations	21,452	0	16,415	37,867
Intergovernmental	2,714,299	89,507	446,956	3,250,762
Miscellaneous	104,574	0	1,850	106,424
<i>Total Revenues</i>	<u>6,225,279</u>	<u>630,039</u>	<u>940,046</u>	<u>7,795,364</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,017,240	0	18,731	3,035,971
Special	756,178	0	120,998	877,176
Vocational	89,096	0	1,760	90,856
Adult/Continuing	0	0	11,997	11,997
Other	0	0	74,802	74,802
Support Services:				
Pupils	353,365	0	0	353,365
Instructional Staff	232,532	0	41,340	273,872
Board of Education	46,282	0	0	46,282
Administration	455,309	0	21,226	476,535
Fiscal	375,404	10,453	3,656	389,513
Business	124,639	0	26,519	151,158
Operation and Maintenance of Plant	509,579	0	117,867	627,446
Pupil Transportation	384,796	0	245	385,041
Central	22,539	0	0	22,539
Operation of Non-Instructional Services	5,636	0	0	5,636
Operation of Food Services	0	0	232,003	232,003
Extracurricular Activities	220,768	0	153,113	373,881
Capital Outlay	482	0	496,748	497,230
Debt Service:				
Principal Retirement	0	220,000	38,741	258,741
Interest and Fiscal Charges	0	443,350	1,920	445,270
<i>Total Expenditures</i>	<u>6,593,845</u>	<u>673,803</u>	<u>1,361,666</u>	<u>8,629,314</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(368,566)</u>	<u>(43,764)</u>	<u>(421,620)</u>	<u>(833,950)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	76,849	76,849
Transfers Out	(45,931)	0	(30,918)	(76,849)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,931)</u>	<u>0</u>	<u>45,931</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(414,497)</u>	<u>(43,764)</u>	<u>(375,689)</u>	<u>(833,950)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	1,214,019	514,943	1,477,362	3,206,324
<i>Fund Balances End of Year</i>	<u>\$799,522</u>	<u>\$471,179</u>	<u>\$1,101,673</u>	<u>\$2,372,374</u>

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, 2013*

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**Net Change in Fund Balances - Total Governmental Funds** (\$833,950)

***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 are  
allocated over their estimated useful lives as depreciation expense.  
This is the amount by which depreciation exceeded capital outlay  
in the current period.

Capital Outlay	535,545	
Current Year Depreciation	<u>(736,251)</u>	
 Total		 (200,706)

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

Property Taxes	239,616	
Intergovernmental	<u>(25,000)</u>	
 Total		 214,616

Repayment of long-term debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net position. 258,741

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	2,584	
Accreted Interest on Bonds	(22,496)	
Amortization of Premium	<u>5,881</u>	
 Total		 (14,031)

Some expenses reported in the statement of activities, such as  
compensated absences, do not require the use of current financial  
resources and therefore are not reported as expenditures  
in governmental funds. (27,739)

*Change in Net Position of Governmental Activities* (\$603,069)

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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$2,560,584	\$2,459,236	\$2,459,236	\$0
Tuition and Fees	900,663	886,375	886,375	0
Interest	5,529	5,441	5,441	0
Extracurricular Activities	2,935	2,888	2,888	0
Rentals	3,215	3,164	3,164	0
Contributions and Donations	6,950	6,840	6,840	0
Intergovernmental	2,759,465	2,715,689	2,715,689	0
Miscellaneous	18,637	102,191	102,191	0
<i>Total Revenues</i>	<u>6,257,978</u>	<u>6,181,824</u>	<u>6,181,824</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	3,068,957	2,858,774	2,858,774	0
Special	807,611	752,146	752,146	0
Vocational	99,248	92,431	92,431	0
Support Services:				
Pupils	373,122	347,833	347,833	0
Instructional Staff	249,823	232,912	235,800	(2,888)
Board of Education	49,712	46,297	46,297	0
Administration	468,165	436,032	436,032	0
Fiscal	316,313	297,830	297,830	0
Business	119,893	111,658	111,658	0
Operation and Maintenance of Plant	555,524	519,406	519,406	0
Pupil Transportation	425,442	396,251	396,251	0
Central	24,195	22,533	22,533	0
Operation of Non-Instructional Services	6,052	5,636	5,636	0
Extracurricular Activities	238,665	222,271	222,271	0
Capital Outlay	518	482	482	0
<i>Total Expenditures</i>	<u>6,803,240</u>	<u>6,342,492</u>	<u>6,345,380</u>	<u>(2,888)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(545,262)</u>	<u>(160,668)</u>	<u>(163,556)</u>	<u>(2,888)</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	36,085	36,085	36,085	0
Transfers Out	(49,674)	(49,674)	(49,674)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(13,589)</u>	<u>(13,589)</u>	<u>(13,589)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(558,851)</u>	<u>(174,257)</u>	<u>(177,145)</u>	<u>(2,888)</u>
<i>Fund Balance Beginning</i>				
of Year - Restated (See Note 3)	1,680,017	1,680,017	1,680,017	0
Prior Year Encumbrances Appropriated	6,565	6,565	6,565	0
<i>Fund Balance End of Year</i>	<u>\$1,127,731</u>	<u>\$1,512,325</u>	<u>\$1,509,437</u>	<u>(\$2,888)</u>

See accompanying notes to the basic financial statements

**Western Reserve Local School District**

Mahoning County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2013*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$25,444</u>
<b>Liabilities</b>	
Due to Students	\$23,985
Undistributed Monies	<u>1,459</u>
<i>Total Liabilities</i>	<u>\$25,444</u>
<b>Net Position</b>	
Held in Trust for Scholarships	

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, 2013*

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**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 one instructional/support facilities staffed by 26 classified employees, 55 certified employees and 4 administrators who provide services to approximately 712 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 no component units.

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 Western Reserve Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the 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 position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**Government-wide Financial Statements** The statement of net position 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 statement of net position 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. Fiduciary funds are reported by type.

**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. The School District has no proprietary funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

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.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***Fiduciary Fund Types*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The 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.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenditures) in total net position.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

***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 fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal 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.

Non-exchange 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, 2013*

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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 Outflows/Inflows of Resources*** In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The District had no deferred outflows of resources to report.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

***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.

**Western Reserve Local School District**

Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

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**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 2013, the School District's investments were limited to repurchase agreements.

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 2013 amounted to \$5,074, which includes \$2,129 assigned from other 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 held for resale.

**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 commitment for budget stabilization. See Note 19 for additional information regarding set asides.

**I. Capital Assets**

The School District's only capital assets are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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 2013, 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

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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.

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. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***L. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
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**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.

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*Notes to the Basic Financial Statements*  
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***O. 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 position.

***P. Interfund Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

***Q. 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 and Restatement of Prior Year Fund Balance**

***A. Change in Accounting Principles***

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 60 addresses issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, most notably, the fiscal dependency criterion. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

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GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

During fiscal year 2013, it was also determined that the employee benefits internal service fund, which is no longer being used for self-insurance, should be combined with the general fund. A restatement to beginning fund balance was necessary to properly reflect this change.

**B. Restatement of Prior Year Fund Balance**

	General Fund	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances at June 30, 2012	\$1,177,992	\$514,943	\$1,030,128	\$447,234	\$3,170,297
Reclassification of Employee Benefits	36,027	0	0	0	36,027
Adjusted Fund Balance at June 30, 2012	<u>\$1,214,019</u>	<u>\$514,943</u>	<u>\$1,030,128</u>	<u>\$447,234</u>	<u>\$3,206,324</u>

**C. Restatement of Prior Year Budget Basis Fund Balance**

	General Fund
Budget Basis Fund Balance at June 30, 2012	\$1,643,990
Reclassification of Employee Benefits Fund	36,027
Adjusted Budget Basis Fund Balance at June 30, 2012	<u>\$1,680,017</u>

**Note 4 – Fund Deficits**

Fund balances at June 30, 2013 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Emergency Management Information Systems	\$1,860
IDEA Part B Grant	1,065
Title I	645
Improving Teacher Quality	144

**Western Reserve Local School District**

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*Notes to the Basic Financial Statements  
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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.

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	(\$414,497)
Net Adjustment for Revenue Accruals	(27,992)
Advances In	36,085
Net Adjustment for Expenditure Accruals	255,701
Net Adjustment for Funds Budgeted as Special Revenue	(15,464)
Adjustment for Encumbrances	(10,978)
Budget Basis	<u><u>(\$177,145)</u></u>

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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**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;
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 (STAR Ohio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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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, 2013, the carrying value amount of all the District's deposits was \$914,656. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2013, \$250,000 of the District's bank balance of \$1,000,001 was exposed to custodial risk as described below, while \$750,001 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, 2013, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Repurchase Agreements	\$2,187,654	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.

**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, 2013:

Investment	Percent of Total
Repurchase Agreements	100.00%

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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**Reconciliation of Cash and Investments to the Statement of Net Position**

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 position as of June 30, 2013:

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statement of Net Position</u>	
Carrying amount of deposits	\$914,656	Governmental Activities	\$3,076,866
Investments	<u>2,187,654</u>	Agency Funds	<u>25,444</u>
Total	<u>\$3,102,310</u>		<u>\$3,102,310</u>

**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 property and public utility property located in the School District. Real property tax revenue received in calendar 2013 represent collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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, 2013, are available to finance fiscal year 2013 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 and public utility property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

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, 2013 and June 30, 2012.

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 reported as deferred inflows of resources – unavailable revenue.

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The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$91,758,280	95.24 %	\$94,969,700	95.12 %
Public Utility Personal	4,584,290	4.76	4,867,160	4.88
<b>Total</b>	<b>\$96,342,570</b>	<b>100.00 %</b>	<b>\$99,836,860</b>	<b>100.00 %</b>
 Tax rate per \$1,000 of assessed valuation	 \$52.80		 \$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	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>				
Inventory	\$84,845	\$0	\$612	\$85,457
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	33,549	33,549
Technology Improvements	0	0	0	0
Classroom Maintenance	0	0	126,827	126,827
Athletics & Music	0	0	22,173	22,173
Debt Service Payments	0	471,179	0	471,179
Capital Improvements	0	0	869,402	869,402
<b><i>Total Restricted</i></b>	<b>0</b>	<b>471,179</b>	<b>1,051,951</b>	<b>1,523,130</b>
<b><i>Committed to</i></b>				
College Scholarships	0	0	52,824	52,824
Employee Benefits	36,027	0	0	36,027
Budget Stabilization	67,313	0	0	67,313
<b><i>Total Committed</i></b>	<b>103,340</b>	<b>0</b>	<b>52,824</b>	<b>156,164</b>
<b><i>Assigned to</i></b>				
Other Purposes	26,347	0	0	26,347
Encumbrances	7,851	0	0	7,851
<b><i>Total Assigned</i></b>	<b>34,198</b>	<b>0</b>	<b>0</b>	<b>34,198</b>
<b><i>Unassigned (Deficit)</i></b>	<b>577,139</b>	<b>0</b>	<b>(3,714)</b>	<b>573,425</b>
<b><i>Total Fund Balances</i></b>	<b>\$799,522</b>	<b>\$471,179</b>	<b>\$1,101,673</b>	<b>\$2,372,374</b>

**Western Reserve Local School District**  
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**Note 9 - Receivables**

Receivables at June 30, 2013 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 position follows:

Property Taxes	\$3,974,242
Intergovernmental	98,954
Accounts	32,229
Accrued Interest	45
Total Receivables	\$4,105,470

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$28,935	\$0	\$0	\$28,935
Construction in progress	23,886,661	487,614	(24,374,275)	0
Total capital assets not being depreciated	23,915,596	487,614	(24,374,275)	28,935
<i>Capital assets being depreciated:</i>				
Land improvements	56,175	0	0	56,175
Buildings and improvements	3,038,717	24,374,275	0	27,412,992
Furniture, fixtures and equipment	1,917,693	47,931	0	1,965,624
Vehicles	811,129	0	0	811,129
Textbooks	437,079	0	0	437,079
Total capital assets being depreciated	6,260,793	24,422,206	0	30,682,999
<i>Accumulated depreciation:</i>				
Land improvements	(10,282)	(2,037)	0	(12,319)
Buildings and improvements	(2,203,732)	(537,687)	0	(2,741,419)
Furniture, fixtures and equipment	(726,244)	(128,607)	0	(854,851)
Vehicles	(345,526)	(47,703)	0	(393,229)
Textbooks	(394,315)	(20,217)	0	(414,532)
Total accumulated depreciation	(3,680,099)	(736,251) *	0	(4,416,350)
Capital assets being depreciated, net	2,580,694	23,685,955	0	26,266,649
Governmental activities capital assets, net	\$26,496,290	\$24,173,569	(\$24,374,275)	\$26,295,584

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\* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$240,719
Special	57,567
Vocational	28,569
Adult/Continuing	5,696
Support Services:	
Pupil	23,190
Instructional Staff	68,765
Board of Education	3,037
Administration	31,274
Fiscal	25,563
Business	10,506
Operation and Maintenance of Plant	97,215
Pupil Transportation	71,459
Central	1,479
Operation of Non-Instructional Services	370
Operation of Food Services	15,805
Extracurricular Activities	55,037
Total Depreciation Expense	\$736,251

**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 2013, 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 2013. 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 2013, 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 2013, the School District contracted with the Ohio School Plan for various types of significant insurance as follows:

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Coverage	Amount	Deductible
Building/Contents Property	\$35,860,013	\$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, vision 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 \$990 for family coverage, \$354 for single coverage, \$742 for employee plus spouse, and \$601 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 \$263 for family prescription drug coverage, \$94 for single prescription drug coverage, \$197 for employee plus spouse, and \$160 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 fund to account for and finance its uninsured risks of loss in this program. The District is no longer self-insured for vision benefits but keeps a small balance in the general fund committed 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, 2013*

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**Note 13 – Pension Plans**

***A. School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 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, 2013, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2013, 2012 and 2011 were \$109,997, \$110,741 and \$99,163, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying one percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$408,040, \$402,020 and \$422,698, respectively; 86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$24,514 made by the School District and \$17,510 made by the plan members.

Additional information or copies of STRS Ohio's 2012 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**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, 2013, 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**

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment 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) 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 2013 was \$104.90 for most participants, but could be as high \$335.70 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 2013, the actuarially required allocation is 0.74 percent. The District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$6,214, \$6,540 and \$6,381, which equaled the required contributions each year.

Health Care Plan – ORC 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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 year ended June 30, 2013, the health care allocation is 0.16 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. 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, 2013, 2012, and 2011 were \$11,615, \$26,114 and \$24,916, respectively; 53 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issued a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012 and 2011. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$31,388, \$30,925 and \$32,515, respectively; 86 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2013*

**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.

**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 Activity**

**A. 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 \$27,145 and \$18,786, respectively.

The building capital projects fund transferred \$30,918 to the classroom facilities capital projects fund as construction on the new school was completed during the year.

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.

**B. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2013, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$65,643	\$0
Non-major Governmental Funds:		
IDEA Part B	0	4,610
Title I	0	61,033
Total	\$65,643	\$65,643

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**Note 17 - Long-term Obligations**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Principal Outstanding 6/30/12	Additions	Deductions	Principal Outstanding 6/30/13	Amounts due in One Year
<b>General Obligation Bonds:</b>					
2009 Ohio School Facilities Bonds					
Current Interest Serial Bonds 2.5% - 4.75%	\$5,625,000	\$0	(\$220,000)	\$5,405,000	\$225,000
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	44,317	22,496	0	66,813	0
Unamortized Premium on Bonds	144,077	0	(5,881)	138,196	0
<b>Total General Obligation Bonds</b>	<b>10,776,558</b>	<b>22,496</b>	<b>(225,881)</b>	<b>10,573,173</b>	<b>225,000</b>
<b>Other Long-Term Obligations:</b>					
School Bus Loan	88,594	0	(38,741)	49,853	39,753
Compensated Absences	589,428	48,187	(20,448)	617,167	161,616
<b>Total Other Long-Term Obligations</b>	<b>678,022</b>	<b>48,187</b>	<b>(59,189)</b>	<b>667,020</b>	<b>201,369</b>
<b>Total Long-Term Obligations</b>	<b>\$11,454,580</b>	<b>\$70,683</b>	<b>(\$285,070)</b>	<b>\$11,240,193</b>	<b>\$426,369</b>

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 \$22,496 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.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The School District's overall legal debt margin was \$2,121,877 with an unvoted debt margin of \$99,837 at June 30, 2013. Principal requirements to retire general obligation debt outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	235,000	408,112	643,112	13,281	51,719	65,000
2019 - 2023	1,430,000	1,925,198	3,355,198	54,883	270,117	325,000
2024 - 2028	2,195,000	1,553,380	3,748,380	0	0	0
2029 - 2033	2,715,000	1,032,455	3,747,455	0	0	0
2034 - 2037	2,675,000	324,899	2,999,899	0	0	0
<b>Total</b>	<b>\$10,300,000</b>	<b>\$6,956,144</b>	<b>\$17,256,144</b>	<b>\$68,164</b>	<b>\$321,836</b>	<b>\$390,000</b>

Fiscal Year Ending June 30,	Farmers National Bank School Bus Loan		
	Principal	Interest	Total
	2014	\$39,753	\$907
2015	10,100	65	10,165
<b>Total</b>	<b>\$49,853</b>	<b>\$972</b>	<b>\$50,825</b>

**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.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**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**

The District is 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.

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 Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2012	\$0	\$67,313
Current Year Set-Aside Requirement	114,437	0
Qualifying Disbursements	(589,285)	0
Current Year Offsets	(229,086)	0
Total	(\$703,934)	\$67,313
Set-Aside Balance Carried Forward to		
Future Fiscal Years	\$0	\$67,313
Cash balance as of June 30, 2013	\$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.

**Western Reserve Local School District**  
Mahoning County, Ohio

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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, 2013, if applicable, cannot be determined at this time.

***B. Litigation***

The School District is not party to legal proceedings as of June 30, 2013.

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# 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 44404

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Reserve Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 3, 2014.

### ***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.

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

September 3, 2014

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	There should be better controls over lunchroom receipts.	Yes	

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Western Reserve Local School District  
Mahoning County  
13850 Akron-Canfield Road  
Berlin Center, Ohio 44401-9756

To the Board of Education:

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

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

1. We noted the Board did not amend its anti-harassment policy to include prohibiting harassment, intimidation, or bullying of any student "on a school bus".

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

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

**Dave Yost**  
Auditor of State

September 3, 2014

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