



Dave Yost • Auditor of State

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Western Local School District
Pike County
7959 State Route 124
Latham, Ohio 45646

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Western Local School District, Pike County, Ohio (the District), as of and for the year ended June 30, 2015, 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, the major fund, and the aggregate remaining fund information of Western Local School District, Pike County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 9 to the financial statements, during the year ended June 30, 2015, the Government adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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*, and schedules of net pension liabilities and pension contributions 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.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements.

We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 12, 2016

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Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The discussion and analysis of the Western Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. 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 notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2015 are as follows:

- Net position of governmental activities decreased \$800,317.
- General revenues accounted for \$7,734,445 in revenue or 75% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$2,644,171 or 25% of total revenues of \$10,378,616.
- The School District had \$10,880,257 in expenses related to governmental activities; only \$2,644,171 of these expenses was offset by program specific charges for services and sales, grants, and contributions while the remainder of these expenses was partially offset by general revenues.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Reporting the School District as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred outflows/inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of 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 changes in 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 causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

- In the Statement of Net Position and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 11. Fund financial statements provide detailed information about the School District's major fund. 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 major governmental fund is the General 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 governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds. Proprietary Fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net position. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for their self-insurance program for employee dental claims.

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary fund is an agency fund which is used to maintain financial activity of the School District's Student Managed Activities. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
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 2015 compared to 2014.

Table 1
Net Position
Governmental Activities

	2015	2014*
Assets:		
Current and Other Assets	\$ 4,908,086	\$ 5,163,209
Capital Assets, Net	13,814,827	14,601,478
Total Assets	18,722,913	19,764,687
Deferred Outflows of Resources:		
Pensions	849,022	686,958
Total Deferred Outflows of Resources	849,022	686,958
Liabilities:		
Current and Other Liabilities	900,544	855,178
Long-Term Liabilities:		
Due Within One Year	112,286	106,222
Due in More than One Year:		
Net Pension Liabilities	10,545,010	12,526,075
Other Amounts	830,966	887,827
Total Liabilities	12,388,806	14,375,302
Deferred Inflows of Resources		
Pensions	1,942,376	-
Property Taxes not Levied to Finance the Current Year	847,317	882,590
Total Deferred Inflows of Resources	2,789,693	882,590
Net Position:		
Net Investment in Capital Assets	13,049,827	13,761,478
Restricted	915,628	1,335,802
Unrestricted	(9,572,019)	(9,903,527)
Total Net Position	\$ 4,393,436	\$ 5,193,753

* As restated, see Note 19.

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$17,032,870 to \$5,193,753.

Total net position of the School District as a whole decreased in the amount of \$800,317. Current and other assets decreased primarily due to a decrease in cash on hand as of year-end. Deferred inflows of resources increased due to changes in the net pension liability due to differences between projected and actual investment earnings on pension plan investments which are deferred and amortized over a five year period. Capital assets decreased due primarily to current year depreciation, which was partially offset by additions. Current and other liabilities increased primarily due an increase in accounts payable and accrued wages and benefits payable, which were partially offset by a decrease in intergovernmental payable. Long-term liabilities decreased primarily to the due to a reduction in the net pension liability and the payment of debt.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 2 shows the changes in net position for the fiscal years ended June 30, 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 442,325	\$ 387,896
Operating Grants and Contributions	2,201,846	2,411,681
Total Program Revenues	<u>2,644,171</u>	<u>2,799,577</u>
General Revenues		
Property Taxes	956,525	965,891
Grants and Entitlements not Restricted to Specific Programs	6,740,563	6,021,470
Gifts and Donations not Restricted to Specific Programs	2,450	1,381
Investment Earnings	9,972	8,774
Miscellaneous	24,935	91,384
Total General Revenues	<u>7,734,445</u>	<u>7,088,900</u>
Total Revenues	<u>10,378,616</u>	<u>9,888,477</u>
Program Expenses		
Instruction:		
Regular	3,939,951	3,729,623
Special	1,584,851	1,594,940
Other	759,425	764,440
Support Services:		
Pupil	393,140	389,350
Instructional Staff	252,514	269,578
Board of Education	15,016	17,254
Administration	922,155	903,918
Fiscal	267,644	275,114
Operation and Maintenance of Plant	918,771	947,235
Pupil Transportation	896,813	819,993
Central	127,973	139,543
Operation of Non-Instructional Services	498,268	480,612
Extracurricular Activities	196,462	187,255
Intergovernmental	64,443	71,374
Interest and Fiscal Charges	42,831	30,744
Total Expenses	<u>10,880,257</u>	<u>10,620,973</u>
Special Item	(298,676)	-
Decrease in Net Position	<u>(800,317)</u>	<u>(732,496)</u>
Net Position, Beginning of Year, Restated - See Note 19	5,193,753	N/A
Net Position, End of Year	<u>\$ 4,393,436</u>	<u>\$ 5,193,753</u>

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$677,513 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$514,502. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$10,880,257
Pension expense under GASB 68	(514,502)
2015 contractually required contribution	<u>669,360</u>
Adjusted 2015 program expenses	11,035,115
Total 2014 program expenses under GASB 27	<u>10,620,973</u>
Increase in program expenses not related to pension	<u><u>\$414,142</u></u>

Over the past several years, the School District has remained in good financial position. The expenses for the School District have increased from the prior year due primarily to increases in regular instruction. These increases were offset by a decrease in instructional services. The increase in regular instruction was primarily due to an increase in wages and benefits. Operating grants and contributions decreased due to a decrease in Title I program receipts. Grants and entitlements not restricted to specific programs increased due to increased foundation settlement receipts.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2015		2014	
Program Expenses				
Instruction:				
Regular	\$ 3,939,951	\$ 3,796,751	\$ 3,729,623	\$ 3,614,325
Special	1,584,851	331,200	1,594,940	243,785
Other	759,425	642,804	764,440	634,290
Support Services:				
Pupil	393,140	317,719	389,350	304,144
Instructional Staff	252,514	138,203	269,578	129,897
Board of Education	15,016	14,373	17,254	16,596
Administration	922,155	781,938	903,918	745,752
Fiscal	267,644	255,691	275,114	264,213
Operation and Maintenance of Plant	918,771	847,512	947,235	887,985
Pupil Transportation	896,813	861,796	819,993	791,717
Central	127,973	117,114	139,543	124,866
Operation of Non-Instructional Services	498,268	(1,504)	480,612	(61,098)
Extracurricular Activities	196,462	85,795	187,255	97,887
Intergovernmental	64,443	4,236	71,374	(3,443)
Interest and Fiscal Charges	42,831	42,458	30,744	30,480
Total	<u>\$ 10,880,257</u>	<u>\$ 8,236,086</u>	<u>\$ 10,620,973</u>	<u>\$ 7,821,396</u>

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$10,576,051 and expenditures and other financing uses of \$10,542,886.

The General Fund had an increase in fund balance of \$156,654. This increase is due and to revenues exceeding expenditures for the current year as a result of increased foundation monies received during the year. The General Fund had revenue in the amount of \$8,775,707 and expenditures and other financing uses of \$8,619,053.

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 most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the School District amended its General Fund budget.

For the General Fund, final budgeted revenue was \$8,799,887, above original estimates of \$8,662,788. This increase was a result of increases in tax and intergovernmental revenues. For the General Fund, final appropriations were \$8,790,736, below original estimates of \$9,111,718. This decrease was due primarily to decreases in administration and operation and maintenance of plant, which were partially offset by an increase in pupil transportation. The School District's ending unobligated General Fund balance was \$1,933,503.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the School District had \$13,814,827 invested in land and land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2015 balances compared to 2014.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 364,219	\$ 364,219
Land Improvements	729,987	752,388
Buildings and Improvements	12,108,052	12,769,208
Furniture and Equipment	238,540	262,114
Vehicles	277,540	347,907
Library Books and Textbooks	6,178	13,101
Infrastructure	90,311	92,541
Totals	\$ 13,814,827	\$ 14,601,478

Changes in capital assets from the prior year resulted from additions and depreciation.

Debt

At June 30, 2015, the School District had general obligation bonds outstanding of \$265,000 and an energy conservation bond outstanding of \$500,000. The bonds were issued for school construction, while the energy conservation bond was for energy conservation improvements. For additional information on debt, see Note 12 to the basic financial statements.

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 Rock Lambert, Treasurer at Western Local School District, 7959 State Route 124, Latham, Ohio 45646.

Western Local School District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,694,355
Cash and Cash Equivalents with Escrow Agents	150,463
Due from Agency Funds	1,786
Intergovernmental Receivable	543,801
Property Taxes Receivable	1,517,681
Noncurrent Assets:	
Non-Depreciable Capital Assets	364,219
Depreciable Capital Assets, Net	13,450,608
<i>Total Assets</i>	18,722,913
Deferred Outflows of Resources	
Pension:	
State Teachers Retirement System	588,334
School Employees Retirement System	260,688
<i>Total Deferred Outflows of Resources</i>	849,022
Liabilities	
Current Liabilities	
Accounts Payable	88,370
Accrued Wages and Benefits Payable	656,352
Claims Payable	7,831
Intergovernmental Payable	147,991
Noncurrent Liabilities	
Long-Term Liabilities:	
Due Within One Year	112,286
Due In More Than One Year	
Net Pension Liability (See Note 9)	10,545,010
Other Amounts Due in More Than One Year	830,966
<i>Total Liabilities</i>	12,388,806
Deferred Inflows of Resources	
Pensions:	
State Teachers Retirement System	1,590,560
School Employees Retirement System	351,816
Property Taxes not Levied to Finance Current Year Operations	847,317
<i>Total Deferred Inflows of Resources</i>	2,789,693
Net Position	
Net Investment in Capital Assets	13,049,827
Restricted for:	
Capital Projects	166,807
Debt Service	292,861
Title I	175,626
Improving Teacher Quality	69,047
Title VI-B	39,079
Classroom Facilities and Maintenance	93,544
Lunchroom	33,394
Other Purposes	45,270
Unrestricted	(9,572,019)
<i>Total Net Position</i>	\$ 4,393,436

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense)
	Expenses	Charges for	Operating Grants	Revenue and
		Services and Sales	and Contributions	Governmental
				Net Position
				Governmental
				Activities
Governmental Activities				
Instruction:				
Regular	\$ 3,939,951	\$ 137,327	\$ 5,873	\$ (3,796,751)
Special	1,584,851	44,530	1,209,121	(331,200)
Other	759,425	28,778	87,843	(642,804)
Support Services:				
Pupil	393,140	13,907	61,514	(317,719)
Instructional Staff	252,514	5,754	108,557	(138,203)
Board of Education	15,016	643	-	(14,373)
Administration	922,155	34,486	105,731	(781,938)
Fiscal	267,644	11,373	580	(255,691)
Operation and Maintenance of Plant	918,771	35,754	35,505	(847,512)
Pupil Transportation	896,813	35,017	-	(861,796)
Central	127,973	5,088	5,771	(117,114)
Operation of Non-Instructional				
Services	498,268	39,940	459,832	1,504
Extracurricular Activities	196,462	49,355	61,312	(85,795)
Intergovernmental	64,443	-	60,207	(4,236)
Interest and Fiscal Charges	42,831	373	-	(42,458)
<i>Totals</i>	<u>\$ 10,880,257</u>	<u>\$ 442,325</u>	<u>\$ 2,201,846</u>	<u>(8,236,086)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				941,947
Classroom Facilities Maintenance				14,578
Grants and Entitlements not Restricted				
to Specific Programs				6,740,563
Gifts and Donations not Restricted to Specific Programs				2,450
Investment Earnings				9,972
Miscellaneous				24,935
<i>Total General Revenues</i>				<u>7,734,445</u>
Special Item - Return of Classroom Facilities				<u>(298,676)</u>
<i>Change in Net Position</i>				(800,317)
<i>Net Position Beginning of Year, As Restated - See Note 19</i>				<u>5,193,753</u>
<i>Net Position End of Year</i>				<u>\$ 4,393,436</u>

See accompanying notes to the basic financial statements.

Western Local School District
Balance Sheet
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,070,065	\$ 587,058	\$ 2,657,123
Cash and Cash Equivalents with Escrow Agents	150,463	-	150,463
Receivables:			
Property Taxes	1,459,689	57,992	1,517,681
Interfund	10,038	-	10,038
Intergovernmental	62,139	481,662	543,801
<i>Total Assets</i>	<u><u>\$ 3,752,394</u></u>	<u><u>\$ 1,126,712</u></u>	<u><u>\$ 4,879,106</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts Payable	\$ 81,791	\$ 6,579	\$ 88,370
Accrued Wages and Benefits Payable	526,832	129,520	656,352
Interfund Payable	-	8,252	8,252
Intergovernmental Payable	129,655	18,336	147,991
<i>Total Liabilities</i>	<u>738,278</u>	<u>162,687</u>	<u>900,965</u>
Deferred Inflows of Resources			
Property Taxes not Levied to Finance Current Year Operations	799,145	48,172	847,317
Unavailable Revenue - Delinquent Taxes	532,462	7,957	540,419
Unavailable Revenue - Grants	-	261,436	261,436
<i>Total Deferred Inflows of Resources</i>	<u>1,331,607</u>	<u>317,565</u>	<u>1,649,172</u>
Fund Balances			
Restricted	150,463	646,460	796,923
Assigned	64,342	-	64,342
Unassigned	1,467,704	-	1,467,704
<i>Total Fund Balances</i>	<u>1,682,509</u>	<u>646,460</u>	<u>2,328,969</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</i>	<u><u>\$ 3,752,394</u></u>	<u><u>\$ 1,126,712</u></u>	<u><u>\$ 4,879,106</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015*

Total Governmental Fund Balances		\$ 2,328,969
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.		13,814,827
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.		
Taxes	540,419	
Intergovernmental	<u>261,436</u>	
Total		801,855
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds		
Deferred outflows of resources related to pensions	849,022	
Deferred inflows of resources related to pensions	(1,942,376)	
Net Pension Liability	<u>(10,545,010)</u>	
Total		(11,638,364)
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		29,401
Long-term liabilities, including bonds and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(178,252)	
Energy Conservation Bonds	(500,000)	
General Obligation Bonds	<u>(265,000)</u>	
Total		<u>(943,252)</u>
Net Position of Governmental Activities		<u><u>\$ 4,393,436</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 951,248	\$ 42,389	\$ 993,637
Intergovernmental	7,430,787	1,456,266	8,887,053
Interest	8,955	1,017	9,972
Rent	9,930	-	9,930
Tuition and Fees	341,515	-	341,515
Extracurricular Activities	6,980	43,816	50,796
Gifts and Donations	2,450	4,295	6,745
Customer Sales and Services	-	40,084	40,084
Miscellaneous	23,842	1,093	24,935
<i>Total Revenues</i>	<u>8,775,707</u>	<u>1,588,960</u>	<u>10,364,667</u>
Expenditures			
Current:			
Instruction:			
Regular	3,264,852	6,286	3,271,138
Special	1,057,451	542,274	1,599,725
Other	672,827	87,841	760,668
Support Services:			
Pupil	331,095	65,842	396,937
Instructional Staff	139,948	116,195	256,143
Board of Education	15,097	-	15,097
Administration	840,823	113,453	954,276
Fiscal	273,875	2,225	276,100
Operation and Maintenance of Plant	843,503	38,003	881,506
Pupil Transportation	835,508	-	835,508
Central	125,288	6,177	131,465
Operation of Non-Instructional Services	87	490,705	490,792
Extracurricular Activities	133,559	65,626	199,185
Capital Outlay	8,525	72,163	80,688
Debt Service:			
Principal	-	75,000	75,000
Interest and Fiscal Charges	8,700	34,131	42,831
Intergovernmental	-	64,443	64,443
<i>Total Expenditures</i>	<u>8,551,138</u>	<u>1,780,364</u>	<u>10,331,502</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>224,569</u>	<u>(191,404)</u>	<u>33,165</u>
Other Financing Sources (Uses)			
Operating Transfers In	-	211,384	211,384
Operating Transfers Out	(67,915)	(143,469)	(211,384)
<i>Total Other Financing Sources (Uses)</i>	<u>(67,915)</u>	<u>67,915</u>	<u>-</u>
Special Item - Return of Classroom Facilities	-	(298,676)	(298,676)
<i>Net Change in Fund Balances</i>	156,654	(422,165)	(265,511)
<i>Fund Balances at Beginning of Year</i>	<u>1,525,855</u>	<u>1,068,625</u>	<u>2,594,480</u>
<i>Fund Balances at End of Year</i>	<u>\$ 1,682,509</u>	<u>\$ 646,460</u>	<u>\$ 2,328,969</u>

See accompanying notes to the basic financial statements. 17

Western Local School District
*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, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$265,511)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	79,950	
Current Year Depreciation	(866,601)	
Total	(786,651)	(786,651)

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

Taxes	51,061	
Intergovernmental	(37,112)	
Total	13,949	13,949

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.

75,000

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

715,255

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(514,502)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(13,654)

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.

Increase in Compensated Absences	(24,203)	
Total	(24,203)	(24,203)

Net Change in Net Position of Governmental Activities (\$800,317)

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 8,662,788	\$ 8,799,887	\$ 8,799,887	\$ -
Total Expenditures and Other Uses	9,111,718	8,790,736	8,790,736	-
Net Change in Fund Balance	(448,930)	9,151	9,151	-
Fund Balance, July 1, 2014	1,776,812	1,776,812	1,776,812	-
Prior Year Encumbrances Appropriated	147,540	147,540	147,540	-
Fund Balance, June 30, 2015	<u>\$ 1,475,422</u>	<u>\$ 1,933,503</u>	<u>\$ 1,933,503</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Net Position
Governmental Activities - Internal Service Fund
June 30, 2015

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$ 37,232</u>
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<i>Total Assets</i>	<u>37,232</u>
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Liabilities

Current Liabilities:

Claims Payable	<u>7,831</u>
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<i>Total Liabilities</i>	<u>7,831</u>
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Net Position

Unrestricted	<u><u>\$ 29,401</u></u>
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See accompanying notes to the basic financial statements.

Western Local School District
*Statement of Revenues, Expenses and
Changes In Net Position*
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2015

Operating Revenues	
Charges for Services	<u>\$ 90,001</u>
<i>Total Operating Revenues</i>	<u>90,001</u>
Operating Expenses	
Purchased Services	21,641
Claims Expense	<u>82,014</u>
<i>Total Operating Expenses</i>	<u>103,655</u>
Change in Net Position	(13,654)
Net Position at Beginning of Year	<u>43,055</u>
Net Position at End of Year	<u><u>\$ 29,401</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2015

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Transaction with Other Funds	\$ 90,001
Cash Payments to Suppliers for Services	(21,641)
Cash Payments for Claims	<u>(81,287)</u>

Net Cash Used for Operating Activities (12,927)

Cash and Cash Equivalents at Beginning of Year 50,159

Cash and Cash Equivalents at End of Year 37,232

***Reconciliation of Operating Loss to Net Cash
Used for Operating Activities***

Operating Loss (13,654)

Changes in Liabilities:

Increase in Claims Payable 727

Net Cash Used for Operating Activities \$ (12,927)

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 15,683</u>
Total Assets	<u><u>15,683</u></u>
Liabilities	
Due to Other Funds	1,786
Undistributed Monies	<u>13,897</u>
Total Liabilities	<u><u>\$ 15,683</u></u>

See accompanying notes to the basic financial statements.

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Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Western Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1934 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 87 square miles. It is located in Pike County and includes Benton, Mifflin, Pebble, Perry, and Sunfish Townships. It is staffed by 43 non-certificated employees and 58 certificated full-time teaching personnel who provide services to 722 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 Local School District, this includes 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. The School District has no component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

- Village of Latham
- Parent Teacher Organization
- Ross - Pike County Educational Service District

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments, Pike County Joint Vocational School District, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the basic financial statements.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Western Local School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net 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 activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of governmental activities of the School District at 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds used by this School District can be classified using three categories, governmental, proprietary, and fiduciary.

Governmental Funds

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

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Western Local School District has no Enterprise Funds.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Western Local School District on a cost reimbursement basis. The School District's only internal service fund accounts for the self-insurance program for employee dental claims.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements. The District's only agency fund is a fund used to account for student-managed activities.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows and inflows of resources, and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) 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, 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for proprietary and fiduciary funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred outflows/inflows related to net pension liabilities, and the recording of net pension liabilities.

Revenues-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 5) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District reports a deferred outflow of resources for pensions. The deferred outflows of resources related to the pensions are explained in Note 9. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and intergovernmental receivables which are not collected in the available period and pensions. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is due to delinquent property taxes and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 9)

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

All funds, other than the agency fund, 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 set 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 fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal 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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements. The School District holds money in an escrow account to be used for payment of the energy conservation bonds for the remodeling project. The monies are presented as "Cash and Cash Equivalents with Escrow Agents" on the financial statements.

During fiscal year 2015, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2015 amounted to \$8,955 to the General Fund and \$1,017 to the Non-Major governmental funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For purposes of the statement of cash flows and for presentation on the statement of net position and the balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets 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. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

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 are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 20 years for land improvements, 20 to 30 years for building improvements, 7 to 20 years for furniture and equipment, 8 years for vehicles, 6 to 15 years for library books and textbooks and 50 years for infrastructure which consists of a sewer plant and sewer lines.

F. Interfund Activity

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

G. 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. 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 vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as 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 from which the employee will be paid.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and special termination benefits 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 in the current year. Bonds are recognized as a liability on the government-wide financial statements when due.

I. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School 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 policies of the School District Board of Education.

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 School 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.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position

Net position represents the difference between assets, liabilities and deferred inflows/outflows of resources. 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 are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

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

Of the School District's \$915,628 in restricted net position, none is restricted by enabling legislation.

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net position.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services to the various funds to cover the costs of the self insurance program. Operating expenses are necessary costs incurred to provide the goods and/or services that are the primary activities of the fund.

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. The School District had no extraordinary items. The School District reported one special item for the return of classroom facilities monies. The School District's classroom facilities capital project was closed out and the remaining funds were to be returned.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

	General
GAAP Basis	\$156,654
Revenue Accruals	41,653
Expenditure Accruals	(60,626)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	891
Encumbrances	(129,421)
Budget Basis	\$9,151

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2015, the School District's bank balance of \$2,883,579 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments: The School District had the following investments at June 30, 2015:

	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$914	0

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District does not have an investment policy. The School District manages its' exposure to declines in fair values by limiting its investments to STAR Ohio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits their investments to STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does have an investment policy which allows only investments in STAR Ohio and Certificates of Deposit. The School District has invested 100 percent in STAR Ohio.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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 year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 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.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$41,282,430	91.83%	\$44,593,770	92.34%
Public Utility	3,671,560	8.17%	3,698,190	7.66%
Total Assessed Value	<u>\$44,953,990</u>	<u>100.00%</u>	<u>\$48,291,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.70		\$30.50	

The School District receives property taxes from Pike 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, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2015 and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a unavailable revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2015, was \$128,082 in the General Fund and \$1,863 in the Non-Major funds.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Fund:	
General Fund	\$62,139
Non-major Special Revenue Funds:	
Food Service	47,475
Early Childhood Education	8,183
Title I	265,243
School Improvement	28,874
Title VI-B	62,331
Improving Teacher Quality	69,535
Misc. Federal Grants	<u>21</u>
Total Non-major Special Revenue Funds	<u>481,662</u>
Total Governmental Activities	<u>\$543,801</u>

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - RISK MANAGEMENT

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. During fiscal year 2015, the School District contracted with the Ohio School Plan for fleet insurance, liability insurance, and inland marine coverage. Lorbach Insurance Agency provides public official bonds. Total coverage amounted to \$38,270,543 with a \$1,000 deductible.

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.

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). 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 ensures 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Dominguez Consulting provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. The claims liability of \$7,831 reported in the internal service fund at June 30, 2015 is based on an estimate provided by Coresource and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2014	\$5,024	\$77,689	\$75,609	\$7,104
2015	7,104	82,014	81,287	7,831

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance 6/30/14	Additions	Deletions	Ending Balance 6/30/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$364,219	\$-	\$-	\$364,219
Total Capital Assets, Not Being Depreciated	<u>364,219</u>	<u>-</u>	<u>-</u>	<u>364,219</u>
Capital Assets Being Depreciated				
Land Improvements	1,883,293	73,896	-	1,957,189
Buildings and Improvements	20,676,700	-	-	20,676,700
Furniture and Equipment	857,209	6,054	-	863,263
Vehicles	1,452,635	-	-	1,452,635
Library Books and Textbooks	407,326	-	-	407,326
Infrastructure	111,496	-	-	111,496
Total Capital Assets, Being Depreciated	<u>25,388,659</u>	<u>79,950</u>	<u>-</u>	<u>25,468,609</u>
Less Accumulated Depreciation:				
Land Improvements	(1,130,905)	(96,297)	-	(1,227,202)
Buildings and Improvements	(7,907,492)	(661,156)	-	(8,568,648)
Furniture and Equipment	(595,095)	(29,628)	-	(624,723)
Vehicles	(1,104,728)	(70,367)	-	(1,175,095)
Library Books and Textbooks	(394,225)	(6,923)	-	(401,148)
Infrastructure	(18,955)	(2,230)	-	(21,185)
Total Accumulated Depreciation	<u>(11,151,400)</u>	<u>(866,601)</u>	<u>-</u>	<u>(12,018,001)</u>
Total Capital Assets Being Depreciated, Net	<u>14,237,259</u>	<u>(786,651)</u>	<u>-</u>	<u>13,450,608</u>
Governmental Activities Capital Assets, Net	<u>\$14,601,478</u>	<u>(\$786,651)</u>	<u>\$-</u>	<u>\$13,814,827</u>

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$715,201
Special	3,380
Support Services:	
Pupil	2,751
Instructional Staff	2,034
Administration	3,893
Operation and Maintenance of Plant	45,648
Pupil Transportation	79,626
Central	3,055
Operations of Non-Instructional Services	9,441
Extracurricular Activities	1,572
Total Depreciation Expense	<u>\$866,601</u>

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 19. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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 by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$171,101 for fiscal year 2015. Of this amount \$12,116 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS) (Continued)

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$498,259 for fiscal year 2015. Of this amount \$85,780 is reported as an intergovernmental payable.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability reported as of June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,167,653	\$8,377,357	\$10,545,010
Proportion of the Net Pension Liability	0.042831%	0.03444147%	
Pension Expense	\$127,476	\$387,026	\$514,502

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$18,449	\$80,650	\$99,099
Differences between School District contributions and proportionate share of contributions	34,668	-	34,668
School District contributions subsequent to the measurement date	<u>207,571</u>	<u>507,684</u>	<u>715,255</u>
Total	<u>\$260,688</u>	<u>\$588,334</u>	<u>\$849,022</u>
Deferred Inflows of Resources	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$351,816	\$1,549,843	\$1,901,659
Changes of assumptions			
Differences between School District contributions and proportionate share of contributions	<u>0</u>	<u>40,717</u>	<u>40,717</u>
Total	<u>\$351,816</u>	<u>\$1,590,560</u>	<u>\$1,942,376</u>

\$715,255 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$74,675)	(\$377,478)	(\$452,153)
2017	(74,675)	(377,478)	(452,153)
2018	(74,675)	(377,477)	(452,152)
2019	<u>(74,674)</u>	<u>(377,477)</u>	<u>(452,151)</u>
Total	<u>(\$298,699)</u>	<u>(\$1,509,910)</u>	<u>(\$1,808,609)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (Continued)

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS’ Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,092,596	\$2,167,653	\$1,389,695

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$11,993,101	\$8,377,357	\$5,319,655

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, none of the members of the Board of Education have elected Social Security. The Board’s liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and 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 Section 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 benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for the year ended June 30, 15, while 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30 2014 and 2013. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$0, \$36,831, and \$37,023, for fiscal years 2015, 2014, and 2013, respectively; which equaled the required allocations for those years.

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

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 years 2015, 2014, and 2013, the actuarially required allocations were 0.74 percent, 0.76 percent, and 0.74 percent, respectively. For the School District, contributions for the years ended June 30, 2015, 2014, and 2013, were \$11,655, \$12,539, and \$11,662, which equaled the required contributions for each year.

Health Care Plan

Ohio Revised Code 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 HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 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. At June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled \$26,280, \$27,053, and \$20,284, respectively, which equaled the required allocation for each year.

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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System (Continued)

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

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to these employees on the anniversary of their employment and should be used within the next twelve months. Vacation may be accumulated up to a maximum of 60 days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 228 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 57 days.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to all full time employees through Metropolitan Life Insurance Company. The School District has elected to provide employee medical/surgical benefits and prescription drug benefits through United Health Care of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Vision is provided, but employees pay total premium. Vision is through Employers' Vision Trust. Dental is paid 100% by the Board.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 6/30/14	Additions	Deductions	Principal Outstanding 6/30/15	Due In One Year
1995 School Improvement General Obligation Bonds - 4.05% to 6.35%	\$340,000	\$0	\$75,000	\$265,000	\$80,000
Energy Conservation Bond- 1.74%	500,000	0	0	500,000	0
Net Pension Liability:					
STRS	9,979,053	0	1,601,696	8,377,357	0
SERS	2,547,022	0	379,369	2,167,653	0
Total Net Pension Liability	12,526,075	0	1,981,065	10,545,010	0
Compensated Absences	154,049	548,963	524,760	178,252	32,286
Total Long-Term Obligations	\$13,520,124	\$548,963	\$2,580,825	\$11,488,262	\$112,286

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

The 1995 School Improvement bonds were issued in the amount of \$920,000 in November 1995 as a result of the School District being approved for a \$6,847,433 school facilities loan through the State Department of Education for the construction of a junior/senior high school building. The School District issued the general obligation bonds to provide a partial cash match for the school facilities loans. As a requirement of the loans, the School District was required to pass a 4.15 mill levy. The 4.15 mill levy, of which .5 mill was to be used for the retirement of the loan, with the balance of 3.65 mills to be used for the retirement of the 1995 bond issue, will be in effect for twenty-three years. These bonds are being repaid from the debt service fund.

On October 7, 1997, Western Local School District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the remainder of the \$6,847,433 classroom facilities loan to the State because the School District's adjusted valuation per pupil was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution.

Energy Conservation Bonds – In July 2010, the School District issued \$500,000 in Energy Conservation Bonds for the purpose of installations, modifications of installations or remodeling that would significantly reduce energy consumption in current School District buildings. The bonds were issued at 1.74% interest rate and have a final maturity date of January 26, 2025. The bonds are being paid from the General Fund.

As part of the agreement, Ohio Valley bank deposited \$500,000 in the School District's name, with an escrow agent for the renovations to the buildings. The School District makes annual interest payments to Ohio Valley Bank and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's bond liability. Ohio Valley Bank will be repaid in fiscal year 2026 when the \$500,000 bond payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the bond is paid timely. The School District is current on the deposits.

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General Fund being the most significant fund.

The School District's overall legal debt margin was \$4,081,276 with an unvoted debt margin of \$48,292 at June 30, 2015.

Principal and interest requirements to retire general obligation debt at June 30, 2015, are as follows:

	Principal	Interest	Total
2016	\$ 80,000	\$ 14,288	\$ 94,288
2017	90,000	5,874	95,874
2018	95,000	6,032	101,032
Total:	\$ 265,000	\$26,194	\$291,194

Fiscal Year Ending June 30,	2012 Energy Conservation Bonds		
	Principal	Interest	Sinking Fund Payments
2016	\$ -	\$ 8,700	\$ 28,913
2017	-	8,700	28,913
2018	-	8,700	28,913
2019	-	8,700	28,913
2020	-	8,700	28,913
2021-2025	500,000	43,500	144,565
	\$ 500,000	\$ 87,000	\$ 289,130

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 59 public education entities and 60 non-public education entities. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each of the eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA COG is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid \$73,910 for services provided during fiscal year 2015. Financial information for SCOCA COG can be obtained from Sandee Benson, P.O. Box 596, 175 Beaver Creek, Suite 2, Piketon, Ohio 45661.

The Pike County Joint Vocational School - The Pike County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of the Pike County Board of Education and two representatives from the Waverly City Schools Board of Education, which possesses its own budgeting and taxing authority. To obtain financial information write to the Pike County Joint Vocational School, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$30 to the Coalition for services provided during the year.

NOTE 14 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

NOTE 15 - CONTINGENCIES

A. Grants

The School 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 School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2015.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 15 – CONTINGENCIES (continued)

C. Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVE

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition or 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 information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-aside Balance as of June 30, 2014	\$0
Current year set-aside requirement	134,145
Current year offsets	(15,925)
Current Year Qualifying Expenditures	(118,220)
	\$0
Balance Carried Forward to Fiscal Year 2015	\$0
Reserve Balance as of June 30, 2015	\$0

Any amount presented for a prior year offset from bond proceeds is limited to an amount needed to reduce the reserve for capital improvements to \$0. Offsets and qualifying expenditures reduced the amount below zero and therefore no amount was presented for prior year offsets for bond proceeds in the above schedule. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$347,947 at June 30, 2015.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2015, were as follows:

	Transfer From	Transfer To
Major Fund:		
General	\$67,915	\$0
Non Major Funds:		
Permanent Improvement	0	192,469
Classroom Facilities	143,469	0
Athletics	0	18,915
Total Non Major Funds	143,469	211,384
Total All Funds	\$211,384	\$211,384

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds and to close out the School District’s classroom facilities project.

Interfund Advances

Interfund balances at June 30, 2015, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2015 fiscal year:

	Receivable	Payable
Major Fund:		
General	\$10,038	\$0
Non Major Funds:		
Title IV-B	0	3,454
Title I	0	4,798
Total Non Major Funds	0	8,252
Agency Fund	0	1,786
Total	\$10,038	\$10,038

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant and student activity funds. The General fund will be reimbursed when funds become available in the special revenue funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 18 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for			
Classroom Facilities	\$ -	\$ 85,613	\$ 85,613
Other Purposes	-	59,742	59,742
Lunchroom	-	41,463	41,463
Capital Improvements	-	166,807	166,807
Debt Services Payments	150,463	292,835	443,298
Total Restricted	<u>150,463</u>	<u>646,460</u>	<u>796,923</u>
Assigned to			
Other Purposes	64,342	-	64,342
Unassigned	<u>1,467,704</u>	<u>-</u>	<u>1,467,704</u>
Total Fund Balances	<u>\$ 1,682,509</u>	<u>\$ 646,460</u>	<u>\$ 2,328,969</u>

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The impact of the application of Statements No. 68 and No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	\$17,032,870
School District Share of Beginning Plan Net Pension Liability	(12,526,075)
School District Share of 2014 Employer Contributions	<u>686,958</u>
Net position, July 1, 2014-As restated	<u>\$ 5,193,753</u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Western Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Years

	2014	2013
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	12,820,884,107	11,300,482,029
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.042831%	0.042831%
School District's proportionate share of the net pension liability	\$ 2,167,653	\$ 2,547,022
District's covered-employee payroll	\$ 1,308,801	\$ 1,416,980
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.60%	179.80%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Western Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Years

	2014	2013
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	71,843,596,331	65,392,746,348
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03444147%	0.03444147%
School District's proportionate share of the net pension liability	\$ 8,377,357	\$ 9,979,053
School District's covered-employee payroll	\$ 3,519,069	\$ 3,731,431
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	267.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Western Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 171,101	\$ 172,500	\$ 196,110	\$ 153,587	\$ 152,510	\$ 178,261	\$ 111,368	\$ 112,286	\$ 115,370	\$ 109,753
Contributions in relation to the contractually required contribution	(171,101)	(172,500)	(196,110)	(153,587)	(152,510)	(178,261)	(111,368)	(112,286)	(115,370)	(109,753)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,234,495	\$ 1,308,801	\$ 1,416,980	\$ 1,141,911	\$ 1,213,286	\$ 1,316,551	\$ 1,131,789	\$ 1,143,442	\$ 1,080,243	\$ 1,037,363
Contributions as a percentage of covered employee payroll	-13.86%	-13.18%	-13.84%	-13.45%	-12.57%	-13.54%	-9.84%	-9.82%	-10.68%	-10.58%

Western Local School District
Required Supplementary Information
Schedule of School District Contributions
State Teachers Retirement System of Ohio
 Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 498,259	\$ 457,479	\$ 485,086	\$ 490,226	\$ 511,078	\$ 467,214	\$ 473,708	\$ 492,057	\$ 475,436	\$ 490,119
Contributions in relation to the contractually required contribution	(498,259)	(457,479)	(485,086)	(490,226)	(511,078)	(467,214)	(473,708)	(492,057)	(475,436)	(490,119)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 3,558,993	\$ 3,519,069	\$ 3,731,431	\$ 3,770,969	\$ 3,931,369	\$ 3,593,954	\$ 3,643,908	\$ 3,785,054	\$ 3,657,200	\$ 3,770,146
Contributions as a percentage of covered-employee payroll	-14.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%	-13.00%

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE of FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Thru Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	3L70	10.553	\$ 151,110		\$ 151,110	
National School Lunch Program	3L60	10.555	274,998	\$ 26,612	274,998	\$ 12,396
<i>Total Nutrition Cluster</i>			<u>426,108</u>	<u>26,612</u>	<u>426,108</u>	<u>12,396</u>
Total U.S. Department of Agriculture			<u>426,108</u>	<u>26,612</u>	<u>426,108</u>	<u>12,396</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I Grants to Local Educational Agencies	3M00	84.010	651,988		651,988	
Title I School Improvement			52,744		51,459	
<i>Total Title I</i>			<u>704,732</u>		<u>703,447</u>	
Special Education Cluster:						
Special Education Grants to States IDEA Part B	3M20	84.027	207,300		207,300	
Rural and Low Income, Title VI	3Y80	84.358	17,141		16,602	
Improving Teacher Quality	3Y60	84.367	17,018		15,018	
Total Department of Education			<u>946,191</u>	<u>-</u>	<u>942,367</u>	<u>-</u>
<u>U.S. DEPARTMENT OF ENERGY</u>						
<i>Passed through Ohio University</i>						
Environmental Monitoring/Cleanup & Resource Management, Emergency Response Research, Outreach and Technical Analysis	UT16690	81.214	5,235		5,235	
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,377,534</u>	<u>\$ 26,612</u>	<u>\$ 1,373,710</u>	<u>\$ 12,396</u>

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

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Western Local School District
Pike County
7959 State Route 124
Latham, Ohio 45646

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 Local School District, Pike County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2016, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 12, 2016



Dave Yost • Auditor of State

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

Western Local School District
Pike County
7959 State Route 124
Latham, Ohio 45646

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Western Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Western Local School District's major federal programs for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Western Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 12, 2016

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster, CFDA #10.553, #10.555 Title I Cluster, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	The narratives and Board Procurement Policy will be changed to insure that all invoices will be signed/initialed and dated verifying receipt of all invoiced items so that only items received and invoiced will be released for payment.	Yes	

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WESTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2016**