



Dave Yost • Auditor of State



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Reserve Local School District, Mahoning 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, each major fund, and the aggregate remaining fund information of Western Reserve Local School District, Mahoning County, Ohio, as of June 30, 2015,

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and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 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*, the Schedules of the District's Proportionate Share of the Net Pension Liability for School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, and the Schedules of District Contributions for School Employees Retirement System of Ohio and State Teachers Retirement System of Ohio, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 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.



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

April 22, 2016

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

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

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

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position decreased by \$593,038.
- Revenues for governmental activities totaled \$8,212,830 in 2015. Of this total, 74 percent consisted of general revenues while program revenues and a special item accounted for 26 percent.
- Program expenses totaled \$8,805,868. Instructional expenses made up 51 percent of this total while support services accounted for 34 percent. Other expenses rounded out the remaining 15 percent.
- General revenues totaled \$6,102,824. Of this total, \$3,317,521 or 54 percent was derived from property taxes, \$2,697,477 or 44 percent from state entitlements and grants and \$87,826 or 2 percent was derived from interest and other miscellaneous revenues.
- The general fund balance was \$1,739,172 on a budget basis at fiscal year end, an increase of 46 percent from \$1,180,635 at June 30, 2014.
- The District implemented GASB 68 during the fiscal year, which resulted in the inclusion of a net pension liability of \$8,674,672. For more information on this liability see Note 13 to the basic financial statements.

**Using this Annual Financial Report**

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

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

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*Management's Discussion and Analysis*  
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**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

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

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

The District acts in a trustee capacity as an agent for individuals and/or other governments or organizations. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 20.

**Western Reserve Local School District**  
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*Management's Discussion and Analysis*  
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These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**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:

<b>Net Position (Table 1)</b>			
<b>Governmental Activities</b>			
	2015	(Restated) 2014	Increase (Decrease)
<b>Assets</b>			
Current and Other Assets	\$6,483,804	\$6,234,421	\$249,383
Capital Assets, Net	25,849,491	26,819,107	(969,616)
<i>Total Assets</i>	<u>32,333,295</u>	<u>33,053,528</u>	<u>(720,233)</u>
<b>Deferred Outflows of Resources</b>			
Pension	652,339	555,531	96,808
<b>Liabilities</b>			
Current Liabilities	1,005,641	997,695	7,946
Long-Term Liabilities			
Due within One Year	369,460	338,634	30,826
Due in More than One Year:			
Net Pension Liability	8,674,672	10,311,551	(1,636,879)
Other Amounts	10,321,861	10,516,213	(194,352)
<i>Total Liabilities</i>	<u>20,371,634</u>	<u>22,164,093</u>	<u>(1,792,459)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	3,387,997	3,200,379	187,618
Pension	1,574,454	0	1,574,454
<i>Total Deferred Inflows of Resources</i>	<u>4,962,451</u>	<u>3,200,379</u>	<u>1,762,072</u>
<b>Net Position</b>			
Net Investment in Capital Assets	15,834,893	16,533,528	(698,635)
Restricted	918,360	1,290,960	(372,600)
Unrestricted (Deficit)	(9,101,704)	(9,579,901)	478,197
<i>Total Net Position</i>	<u>\$7,651,549</u>	<u>\$8,244,587</u>	<u>(\$593,038)</u>

During 2015, the District adopted GASB Statement No 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 District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported pension.

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

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
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Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 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.

Under the new standards required by GASB No. 68, the net pension liability equals the 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 District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the 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 District. 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 No. 68, the 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.

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Mahoning County, Ohio

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As a result of implementing GASB No. 68, the District is reporting a net pension liability and deferred outflows and inflows 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 \$18,000,607 to \$8,244,587.

Total assets decreased by \$720,233. The majority of this decrease can be attributed to a decrease in capital assets as current year depreciation exceeded capital outlays.

Total liabilities decreased by \$1,792,459 due to an overall decrease in the District's net pension liability as well as a reduction in outstanding bonds payable due to current year payments being made.

By comparing assets, deferred outflows of resources, liabilities and deferred inflows of resources, one can see the overall position of the School District has decreased as evidenced by the overall decrease in net position of \$593,038. The increase in unrestricted net position of \$478,197 was due primarily to a decrease in a decrease in the net pension liability.

Table 2 shows the changes in net position for fiscal year 2015 compared to fiscal year 2014.

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

	2015	(Restated) 2014	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,496,360	\$1,427,707	\$68,653
Operating Grants and Contributions	388,646	563,472	(174,826)
<i>Total Program Revenues</i>	<u>1,885,006</u>	<u>1,991,179</u>	<u>(106,173)</u>
<b>General Revenues</b>			
Property Taxes	3,317,521	2,949,755	367,766
Intergovernmental	2,697,477	2,943,812	(246,335)
Investment Earnings	5,897	5,103	794
Miscellaneous	81,929	147,039	(65,110)
<i>Total General Revenues</i>	<u>6,102,824</u>	<u>6,045,709</u>	<u>57,115</u>
<i>Total Revenues</i>	<u>\$7,987,830</u>	<u>\$8,036,888</u>	<u>(\$49,058)</u>

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

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
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**Table 2 (continued)**  
Change in Net Position  
Governmental Activities

	2015	(Restated) 2014	Change
<b>Program Expenses</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	\$3,294,775	\$3,190,234	\$104,541
Special	1,007,111	905,442	101,669
Vocational	104,249	101,099	3,150
Adult/Continuing	13,426	16,119	(2,693)
Other	106,241	231,545	(125,304)
<b>Support Services:</b>			
Pupils	334,161	358,099	(23,938)
Instructional Staff	304,681	382,997	(78,316)
Board of Education	45,811	54,644	(8,833)
Administration	534,171	563,370	(29,199)
Fiscal	333,741	328,392	5,349
Business	46,705	45,428	1,277
Operation and Maintenance of Plant	833,768	790,648	43,120
Pupil Transportation	496,454	483,056	13,398
Central	48,144	45,865	2,279
Operation of Non-Instructional Services	0	8,078	(8,078)
Operation of Food Services	331,066	277,332	53,734
Extracurricular Activities	515,799	503,991	11,808
Interest and Fiscal Charges	455,565	457,230	(1,665)
<b>Total Program Expenses</b>	<b>8,805,868</b>	<b>8,743,569</b>	<b>62,299</b>
<b>Special Item</b>	<b>225,000</b>	<b>0</b>	<b>225,000</b>
<b>Change in Net Position</b>	<b>(593,038)</b>	<b>(706,681)</b>	<b>113,643</b>
<b>Net Position Beginning of Year - Restated</b>	<b>8,244,587</b>	<b>n/a</b>	<b>n/a</b>
<b>Net Position End of Year</b>	<b>\$7,651,549</b>	<b>\$8,244,587</b>	<b>\$113,643</b>

The information necessary to restate the fiscal year 2014 beginning balances and fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB No. 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$555,531 computed under GASB No. 27. GASB No. 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB No. 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 No. 68, the fiscal year 2015 statements report negative pension expense of \$417,644.

In order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total fiscal year 2015 GASB 68 program expenses	\$8,787,845
<b>Plus:</b>	
2015 pension expense	(417,644)
2015 contractually required contributions	570,321
<b>Total</b>	<b>\$8,940,522</b>

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

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*Unaudited*

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five fiscal years. The certified negotiated union contract, effective through fiscal year 2016, includes a 0.50 percent increase in September of 2013, a 0.50 percent increase in September of 2014, and a 1.0 percent increase in September of 2015. The classified employee negotiated contract is effective through fiscal year 2017 and includes a .5 percent increase in July of 2014, a .5 percent increase in July of 2015, and a 1.0 percent increase in July of 2016. Based on the renewal of all expiring levies and no increase projected from the State in its next budget, the School District will be able to operate without a deficit in the general fund as projected in the School Districts five year forecast until fiscal year 2019.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 51 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 35 percent. The remaining amount of program expenses, 14 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

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

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction	\$4,525,802	\$3,111,303	\$4,444,439	\$2,969,950
Support Services:				
Pupils	334,161	334,161	358,099	345,251
Instructional Staff	304,681	293,028	382,997	357,361
Board of Education	45,811	45,811	54,644	54,644
Administration	534,171	534,171	563,370	563,370
Fiscal	333,741	333,741	328,392	328,392
Business	46,705	46,705	45,428	45,428
Operation and Maintenance of Plant	833,768	832,528	790,648	790,576
Pupil Transportation	496,454	496,454	483,056	483,056
Central	48,144	48,144	45,865	45,865
Operation of Non-Instructional Services	0	0	8,078	6,006
Operation of Food Services	331,066	63,079	277,332	10,440
Extracurricular Activities	515,799	326,172	503,991	294,821
Interest and Fiscal Charges	455,565	455,565	457,230	457,230
<i>Total Expenses</i>	<u>\$8,805,868</u>	<u>\$6,920,862</u>	<u>\$8,743,569</u>	<u>\$6,752,390</u>

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

*Management's Discussion and Analysis*  
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**The School District's Funds**

Information regarding the School District's major fund begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$8,095,012 to offset expenditures, excluding other financing uses, of \$8,162,241. The net change in fund balance for the year was most significant in the general fund, which increased \$232,785. The bond retirement debt service fund decreased \$20,667.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, grants and entitlements and property taxes are the School District's largest revenue sources. They account for approximately 42 and 39 percent of total governmental revenue, respectively, and are a great source of financial support for the students of the Western Reserve Local School District.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

For the general fund, actual budget basis revenue nearly matched final budget estimates varying by only \$48. Original budget estimates of \$6,620,075 were less than the final budget estimates and actual revenues of \$6,941,083 and \$6,941,131, by \$321,008 and \$321,056, respectively. The variance was due to a conservative estimate at the beginning of the year.

Actual budget basis expenditures of \$6,393,944, including transfers, matched the final budget expenditures. Original budget basis expenditures, including transfers, of \$6,538,723 differed from final budget and actual expenditures by \$142,779. The variance was due to a conservative approach of estimating at the beginning of the year.

**Capital Assets and Debt Administration**

At the end of fiscal year 2015, the School District had \$25,849,491 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2015 balances compared to fiscal year 2014:

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

	<u>2015</u>	<u>2014</u>
Land	\$84,963	\$84,963
Land Improvements	802,653	907,353
Buildings and Improvements	24,165,234	24,876,100
Furniture and Equipment	504,697	616,078
Vehicles	197,342	223,883
Textbooks	94,602	110,730
<i>Total</i>	<u><u>\$25,849,491</u></u>	<u><u>\$26,819,107</u></u>

**Western Reserve Local School District**  
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All capital assets, except land, are reported net of depreciation. As one can see, capital assets decreased during the fiscal year by \$969,616 due to capital assets additions of \$5,655 being less than current year depreciation of \$975,271. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

**Debt**

At June 30 2015, the District had general obligation bonds in the amount of \$10,140,801 outstanding. This balance included serial and term bonds of \$9,820,000, a premium of \$126,434, capital appreciation bonds of \$68,164 and accretion on the capital appreciation bonds of \$126,203. The District made its scheduled payment of \$255,000 during the fiscal year and is scheduled to make a payment of \$280,000 next fiscal year. The District also paid the remaining balance of \$10,100 on the school bus loan during the fiscal year. For more information on the School District's long-term obligations, see Note 17 to the basic financial statements.

**School District Outlook**

The Western Reserve Local School District has continued to maintain a high level of service to our students, parents and community. The Western Reserve Local School District earned an "Excellent" rating on the State rating scale for eight consecutive years, fiscal year 2002 through fiscal year 2009. In fiscal year 2010 the District earned an "Excellent with Distinction" rating, meeting 26 out of the 26 State indicators. In fiscal years 2011 and 2012, the District again earned an "Excellent" rating. The School District's average cost per pupil is \$8,173, compared to the State average of \$9,189. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are doing everything in their power to make sure tax dollars are being used efficiently and effectively.

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

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

**Contacting the School District's Financial Management**

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

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**Western Reserve Local School District**

Mahoning County, Ohio

*Statement of Net Position  
June 30, 2015*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,819,739
Accrued Interest Receivable	2,272
Accounts Receivable	2,967
Intergovernmental Receivable	15,402
Property Taxes Receivable	3,559,846
Inventory Held for Resale	675
Materials and Supplies Inventory	82,903
Nondepreciable Capital Assets	84,963
Depreciable Capital Assets, Net	25,764,528
<i>Total Assets</i>	<u>32,333,295</u>
<b>Deferred Outflows of Resources</b>	
Pension:	
STRS	511,611
SERS	140,728
<i>Total Deferred Outflows of Resources</i>	<u>652,339</u>
<b>Liabilities</b>	
Accounts Payable	21,387
Accrued Wages and Benefits Payable	556,178
Intergovernmental Payable	183,184
Matured Compensated Absences Payable	50,003
Accrued Interest Payable	194,889
Long-Term Liabilities:	
Due Within One Year	369,460
Due In More Than One Year:	
Net Pension Liability (See Note 13)	8,674,672
Other Amounts Due in More than One Year	10,321,861
<i>Total Liabilities</i>	<u>20,371,634</u>
<b>Deferred Inflows of Resources</b>	
Property Taxes	3,387,997
Pension:	
STRS	1,357,151
SERS	217,303
<i>Total Deferred Inflows of Resources</i>	<u>4,962,451</u>
<b>Net Position</b>	
Net Investment in Capital Assets	15,834,893
Restricted for:	
Capital Projects	164,910
Debt Service	450,261
Other Purposes	235,876
Set-asides	67,313
Unrestricted (Deficit)	(9,101,704)
<i>Total Net Position</i>	<u>\$7,651,549</u>

See accompanying notes to the basic financial statements

**Western Reserve Local School District**

Mahoning County, Ohio

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2015*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$3,294,775	\$1,044,605	\$15,743	(\$2,234,427)
Special	1,007,111	112,247	129,946	(764,918)
Vocational	104,249	10,461	0	(93,788)
Adult/Continuing	13,426	0	13,897	471
Other	106,241	0	87,600	(18,641)
Support Services:				
Pupils	334,161	0	0	(334,161)
Instructional Staff	304,681	0	11,653	(293,028)
Board of Education	45,811	0	0	(45,811)
Administration	534,171	0	0	(534,171)
Fiscal	333,741	0	0	(333,741)
Business	46,705	0	0	(46,705)
Operation and Maintenance of Plant	833,768	1,240	0	(832,528)
Pupil Transportation	496,454	0	0	(496,454)
Central	48,144	0	0	(48,144)
Operation of Food Services	331,066	166,748	101,239	(63,079)
Extracurricular Activities	515,799	161,059	28,568	(326,172)
Interest and Fiscal Charges	455,565	0	0	(455,565)
<b>Total Governmental Activities</b>	<b>\$8,805,868</b>	<b>\$1,496,360</b>	<b>\$388,646</b>	<b>(6,920,862)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
				2,554,320
				569,842
				147,332
				46,027
Grants and Entitlements not				
				2,697,477
				5,897
				81,929
				<u>6,102,824</u>
				225,000
				(593,038)
				8,244,587
				<u>\$7,651,549</u>

See accompanying notes to the basic financial statements

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

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,709,982	\$417,340	\$625,104	\$2,752,426
Accrued Interest Receivable	2,272	0	0	2,272
Accounts Receivable	2,967	0	0	2,967
Intergovernmental Receivable	0	0	15,402	15,402
Property Taxes Receivable	2,724,501	628,380	206,965	3,559,846
Inventory Held for Resale	0	0	675	675
Materials and Supplies Inventory	82,828	0	75	82,903
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	67,313	0	0	67,313
<i>Total Assets</i>	<u>\$4,589,863</u>	<u>\$1,045,720</u>	<u>\$848,221</u>	<u>\$6,483,804</u>
<b>Liabilities</b>				
Accounts Payable	\$12,281	\$0	\$9,106	\$21,387
Accrued Wages and Benefits Payable	519,158	0	37,020	556,178
Intergovernmental Payable	168,039	0	15,145	183,184
Matured Compensated Absences Payable	50,003	0	0	50,003
<i>Total Liabilities</i>	<u>749,481</u>	<u>0</u>	<u>61,271</u>	<u>810,752</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes	2,595,763	595,459	196,775	3,387,997
Unavailable Revenue - Property Taxes	128,738	32,921	10,190	171,849
<i>Total Deferred Inflows of Resources</i>	<u>2,724,501</u>	<u>628,380</u>	<u>206,965</u>	<u>3,559,846</u>
<b>Fund Balances</b>				
Nonspendable	82,828	0	75	82,903
Restricted	0	417,340	531,760	949,100
Committed	103,340	0	53,650	156,990
Assigned	37,254	0	0	37,254
Unassigned (Deficit)	892,459	0	(5,500)	886,959
<i>Total Fund Balances</i>	<u>1,115,881</u>	<u>417,340</u>	<u>579,985</u>	<u>2,113,206</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$4,589,863</u>	<u>\$1,045,720</u>	<u>\$848,221</u>	<u>\$6,483,804</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Total Governmental Fund Balances</b>	\$2,113,206
 <b><i>Amounts reported for governmental activities in the statement of net position are different because</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,849,491
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Property Taxes	171,849
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(7,335,800)
SERS	(1,338,872)
Total	(8,674,672)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	511,611
SERS	140,728
Total	652,339
Deferred inflows of resources related to pensions:	
STRS	(1,357,151)
SERS	(217,303)
Total	(1,574,454)
In the statement of activities, interest is accrued on outstanding general obligation bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.	(194,889)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(9,820,000)
Capital Appreciation Bonds	(68,164)
Accretion on Bonds	(126,203)
Unamortized Premium	(126,434)
Early Retirement Incentive Payable	(69,060)
Compensated Absences	(481,460)
Total	(10,691,321)
 <i>Net Position of Governmental Activities</i>	 <u><u>\$7,651,549</u></u>

See accompanying notes to the basic financial statements

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

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

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$2,627,047	\$582,862	\$199,017	\$3,408,926
Tuition and Fees	1,167,313	0	0	1,167,313
Interest	5,763	105	29	5,897
Charges for Services	0	0	166,748	166,748
Extracurricular Activities	28,166	0	132,893	161,059
Rentals	1,240	0	0	1,240
Contributions and Donations	7,976	0	40,965	48,941
Intergovernmental	2,794,800	94,637	163,522	3,052,959
Miscellaneous	72,987	0	8,942	81,929
<i>Total Revenues</i>	<u>6,705,292</u>	<u>677,604</u>	<u>712,116</u>	<u>8,095,012</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,975,795	0	13,619	2,989,414
Special	811,100	0	131,277	942,377
Vocational	97,912	0	0	97,912
Adult/Continuing	0	0	12,100	12,100
Other	0	0	106,241	106,241
Support Services:				
Pupils	307,522	0	0	307,522
Instructional Staff	201,842	0	11,653	213,495
Board of Education	41,317	0	0	41,317
Administration	527,270	0	2,649	529,919
Fiscal	272,496	11,046	3,751	287,293
Business	9,229	0	25,560	34,789
Operation and Maintenance of Plant	550,001	0	29,838	579,839
Pupil Transportation	363,570	0	79,382	442,952
Central	23,422	0	21,637	45,059
Operation of Food Services	0	0	299,060	299,060
Extracurricular Activities	230,573	0	186,403	416,976
Capital Outlay	0	0	118,594	118,594
Debt Service:				
Principal Retirement	0	255,000	10,100	265,100
Interest and Fiscal Charges	0	432,225	57	432,282
<i>Total Expenditures</i>	<u>6,412,049</u>	<u>698,271</u>	<u>1,051,921</u>	<u>8,162,241</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>293,243</u>	<u>(20,667)</u>	<u>(339,805)</u>	<u>(67,229)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	412,099	412,099
Transfers Out	(60,458)	0	(351,641)	(412,099)
<i>Total Other Financing Sources (Uses)</i>	<u>(60,458)</u>	<u>0</u>	<u>60,458</u>	<u>0</u>
<b>Special Item</b>				
Settlement	0	0	225,000	225,000
<i>Net Change in Fund Balances</i>	232,785	(20,667)	(54,347)	157,771
<i>Fund Balances Beginning of Year</i>	883,096	438,007	634,332	1,955,435
<i>Fund Balances End of Year</i>	<u>\$1,115,881</u>	<u>\$417,340</u>	<u>\$579,985</u>	<u>\$2,113,206</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$157,771</b>
<b><i>Amounts reported for governmental activities in the statement of activities are different because</i></b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Outlay	5,655	
Current Year Depreciation	<u>(975,271)</u>	
Total		(969,616)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(91,405)	
Intergovernmental	<u>(15,777)</u>	
Total		(107,182)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		265,100
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Interest on Bonds	3,230	
Accreted Interest on Bonds	(32,394)	
Amortization of Premium	<u>5,881</u>	
Total		(23,283)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Direct pension contributions		
STRS	440,988	
SERS	<u>129,333</u>	
Total		570,321
Cost of benefits earned net of employee contributions		
STRS	(311,431)	
SERS	<u>(99,657)</u>	
Total		(411,088)
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.		
Compensated Absences	(6,001)	
Early Retirement Incentive	<u>(69,060)</u>	
Total		(75,061)
<i>Change in Net Position of Governmental Activities:</i>		<u><u>(\$593,038)</u></u>

See accompanying notes to the basic financial statements

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

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$2,463,165	\$2,627,047	\$2,627,047	\$0
Tuition and Fees	1,215,677	1,166,306	1,166,306	0
Interest	4,734	4,542	4,542	0
Extracurricular Activities	2,087	2,002	2,002	0
Rentals	1,292	1,240	1,240	0
Contributions and Donations	8,314	7,976	7,976	0
Intergovernmental	2,913,107	2,794,800	2,794,800	0
Miscellaneous	11,699	46,163	46,211	48
<i>Total Revenues</i>	<u>6,620,075</u>	<u>6,650,076</u>	<u>6,650,124</u>	<u>48</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	2,951,173	2,933,884	2,933,884	0
Special	519,417	803,897	803,897	0
Vocational	93,718	97,896	97,896	0
Support Services:				
Pupils	177,096	307,802	307,802	0
Instructional Staff	689,735	208,345	208,345	0
Board of Education	43,274	41,317	41,317	0
Administration	504,575	502,960	502,960	0
Fiscal	281,454	271,557	271,557	0
Operation and Maintenance of Plant	559,354	554,639	554,639	0
Pupil Transportation	430,645	359,366	359,366	0
Central	20,400	23,425	23,425	0
Operation of Non-Instructional Services	6,000	0	0	0
Extracurricular Activities	231,971	226,124	226,124	0
<i>Total Expenditures</i>	<u>6,508,812</u>	<u>6,331,212</u>	<u>6,331,212</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>111,263</u>	<u>318,864</u>	<u>318,912</u>	<u>48</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	291,007	291,007	0
Transfers Out	(27,911)	(62,732)	(62,732)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(27,911)</u>	<u>228,275</u>	<u>228,275</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	83,352	547,139	547,187	48
<i>Fund Balance Beginning of Year</i>	1,180,635	1,180,635	1,180,635	0
<i>Prior Year Encumbrances Appropriated</i>	11,350	11,350	11,350	0
<i>Fund Balance End of Year</i>	<u>\$1,275,337</u>	<u>\$1,739,124</u>	<u>\$1,739,172</u>	<u>\$48</u>

See accompanying notes to the basic financial statements

**Western Reserve Local School District**

Mahoning County, Ohio

*Statement of Net Position*

*Fiduciary Funds*

*June 30, 2015*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$13,945</u>
<b>Liabilities</b>	
Due to Students	\$12,486
Undistributed Monies	<u>1,459</u>
<i>Total Liabilities</i>	<u>\$13,945</u>
<b>Net Position</b>	
Held in Trust for Scholarships	

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 1 - Description of the School District and Reporting Entity**

Western Reserve Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government. The School District is located in Berlin Center, Ohio, Mahoning County. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's one instructional/support facilities staffed by 27 classified employees, 50 certified employees and 4 administrators who provide services to approximately 707 students and other community members.

***Reporting Entity***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the School District has no component units.

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

**Note 2 - Summary of Significant Accounting Policies**

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

***A. Basis of Presentation***

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

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Government-wide Financial Statements** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

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

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

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

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***Fiduciary Fund Types*** Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and unclaimed monies.

***C. Measurement Focus***

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

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Notes to the Basic Financial Statements*  
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Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources have been reported for the following two items related to the School District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School District's contributions to the pension system subsequent to the measurement date. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The School District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the School District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

***E. Budgetary Data***

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

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

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The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***F. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2015, the School District's investments were limited to repurchase agreements.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$5,763, which includes \$2,006 assigned from other District funds.

***G. Inventory***

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

***H. Restricted Assets***

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

***I. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2015, the School District's capitalization threshold was five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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*Notes to the Basic Financial Statements*  
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Description	Estimated Lives
Land Improvements	10 years
Buildings and Improvements	20 - 100 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 20 years
Textbooks	5 years

***J. Compensated Absences***

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

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

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

***K. Accrued Liabilities and Long-term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***L. Net Position***

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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**M. Fund Balance**

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

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

**N. Bond Premium**

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

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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***O. Interfund Balances***

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

***P. Interfund Activity***

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

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

***Q. Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

***R. Estimates***

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

**Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position**

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

For fiscal year 2015, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, Statement No. 69, “Government Combinations and Disposals of Government Operations”, and Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. The implementation of GASB 68 resulted in an overall restatement of beginning net position, as previously reported.

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GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement requires the use of carrying values to measure the assets and liabilities in a government merger. It also requires measurements of assets acquired and liabilities assumed to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. The Statement also provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. Disclosures about government combinations and disposals of government operations are required to enable financial statement users to evaluate the nature and financial effects of those transactions. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 addresses an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The implementation of GASB 71 resulted in an overall restatement of beginning net position, as previously reported.

**B. Restatement of Prior Year Net Position**

	Governmental Activities
Net Position at June 30, 2014, as Previously Reported	\$18,000,607
<i>Implementation of GASB 68:</i>	
Net Pension Liability - STRS	(8,738,357)
Net Pension Liability - SERS	(1,573,194)
<i>Deferred Outflows - District's Contributions Made</i>	
<i>During Fiscal Year 2014</i>	
STRS	427,460
SERS	128,071
Adjusted Net Position at June 30, 2014	\$8,244,587

**Note 4 – Fund Deficits**

Fund balances at June 30, 2015 included the following individual fund deficits:

	Deficit
<b>Nonmajor Governmental Funds:</b>	
Emergency Management Information Systems	\$2,649
IDEA Part B Grant	2,390
Title I	461

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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**Note 5 - Budgetary Basis of Accounting**

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

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$232,785
Net Adjustment for Revenue Accruals	(52,403)
Advances In	291,007
Net Adjustment for Expenditure Accruals	87,618
Net Adjustment for Funds Budgeted as Special Revenue	(2,765)
Adjustment for Encumbrances	(9,055)
Budget Basis	\$547,187

**Note 6 - Deposits and Investments**

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

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

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**Deposits**

At June 30, 2015, the carrying value amount of all the District's deposits was \$1,497,894. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2015, \$250,000 of the District's bank balance of \$1,502,147 was exposed to custodial risk as described below, while \$1,252,147 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

**Investments**

As of June 30, 2015, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Repurchase Agreements	\$1,335,790	6 Months or Less

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

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

**Concentration of Credit Risk.** The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2015:

Investment	Percent of Total
Repurchase Agreements	100.00%

**Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2015:

Cash and Investments per Note Disclosure		Cash and Investments per Statement of Net Position	
Carrying amount of deposits	\$1,497,894	Governmental Activities	\$2,819,739
Investments	1,335,790	Agency Funds	13,945
Total	\$2,833,684		\$2,833,684

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2015 represent 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 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien 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.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 includes real property and public utility property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Due to the timing of the tax bills sent by the County, there is no money available as an advance to the School District at June 30, 2015 and June 30, 2014.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the 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	\$88,503,400	94.31 %	\$93,424,560	94.26 %
Public Utility Personal	5,342,970	5.69	5,684,810	5.74
<b>Total</b>	<b>\$93,846,370</b>	<b>100.00 %</b>	<b>\$99,109,370</b>	<b>100.00 %</b>
 Tax rate per \$1,000 of assessed valuation	 \$52.80		 \$52.90	

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

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*For the Fiscal Year Ended June 30, 2015*

**Note 8 – Fund Balances**

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<b><i>Nonspendable</i></b>				
Inventory	\$82,828	\$0	\$75	\$82,903
<b><i>Restricted for</i></b>				
Food Service Operations	0	0	22,247	22,247
Classroom Maintenance	0	0	135,059	135,059
Athletics & Music	0	0	24,845	24,845
Debt Service Payments	0	417,340	0	417,340
Capital Improvements	0	0	349,609	349,609
<i>Total Restricted</i>	0	417,340	531,760	949,100
<b><i>Committed to</i></b>				
College Scholarships	0	0	53,650	53,650
Employee Benefits	36,027	0	0	36,027
Budget Stabilization	67,313	0	0	67,313
<i>Total Committed</i>	103,340	0	53,650	156,990
<b><i>Assigned to</i></b>				
Other Purposes	29,068	0	0	29,068
Encumbrances	8,186	0	0	8,186
<i>Total Assigned</i>	37,254	0	0	37,254
<b><i>Unassigned (Deficit)</i></b>	892,459	0	(5,500)	886,959
<b><i>Total Fund Balances</i></b>	<b>\$1,115,881</b>	<b>\$417,340</b>	<b>\$579,985</b>	<b>\$2,113,206</b>

**Note 9 - Receivables**

Receivables at June 30, 2015 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and interest. All receivables except for delinquent property taxes are expected to be collected within one year.

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

Property Taxes	\$3,559,846
Intergovernmental	15,402
Accounts	2,967
Accrued Interest	2,272
<b>Total Receivables</b>	<b>\$3,580,487</b>

**Western Reserve Local School District**  
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*Notes to the Basic Financial Statements*  
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**Note 10 - Capital Assets**

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

	Balance 6/30/14	Additions	Reductions	Balance 6/30/15
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$84,963	\$0	\$0	\$84,963
<i>Capital assets being depreciated:</i>				
Land improvements	1,816,476	0	0	1,816,476
Buildings and improvements	28,938,910	0	0	28,938,910
Furniture, fixtures and equipment	1,286,988	5,655	0	1,292,643
Vehicles	1,166,360	0	0	1,166,360
Textbooks	704,105	0	0	704,105
<i>Total capital assets being depreciated</i>	<u>33,912,839</u>	<u>5,655</u>	<u>0</u>	<u>33,918,494</u>
<i>Accumulated depreciation:</i>				
Land improvements	(909,123)	(104,700)	0	(1,013,823)
Buildings and improvements	(4,062,810)	(710,866)	0	(4,773,676)
Furniture, fixtures and equipment	(670,910)	(117,036)	0	(787,946)
Vehicles	(942,477)	(26,541)	0	(969,018)
Textbooks	(593,375)	(16,128)	0	(609,503)
<i>Total accumulated depreciation</i>	<u>(7,178,695)</u>	<u>(975,271) *</u>	<u>0</u>	<u>(8,153,966)</u>
Capital assets being depreciated, net	<u>26,734,144</u>	<u>(969,616)</u>	<u>0</u>	<u>25,764,528</u>
Governmental activities capital assets, net	<u>\$26,819,107</u>	<u>(\$969,616)</u>	<u>\$0</u>	<u>\$25,849,491</u>

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

<b>Instruction:</b>	
Regular	\$324,861
Special	74,101
Vocational	9,077
Adult/Continuing	1,326
<b>Support Services:</b>	
Pupil	29,374
Instructional Staff	97,304
Board of Education	4,494
Administration	52,130
Fiscal	28,832
Business	4,322
Operation and Maintenance of Plant	152,882
Pupil Transportation	63,150
Central	3,772
Operation of Non-Instructional Services	664
Operation of Food Services	36,830
Extracurricular Activities	92,152
<b>Total Depreciation Expense</b>	<u><u>\$975,271</u></u>

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**Note 11 - Jointly Governed Organizations**

***A. Mahoning County Career and Technical Center***

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts. The students of each participating school district may attend classes offered at the vocational facility. During fiscal year 2015, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406.

***B. Area Cooperative Computerized Educational Service System Council of Governments***

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

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

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

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

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2015. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

**Note 12 - Risk Management**

***A. Workers' Compensation***

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State

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based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**B. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District joined together with other School Districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. During fiscal year 2015, the School District contracted with the Ohio School Plan for various types of significant insurance as follows:

Coverage	Amount	Deductible
Building/Contents Property	\$37,483,412	\$1,000
Flood	1,000,000	25,000
Earthquakes	1,000,000	25,000
Violence - Aggregate	1,000,000	0
Crime	25,000/10,000	1,000
Automobile Liability	3,000,000	1,000
Uninsured Motorists	1,000,000	0
General Liability:		
Per occurrence	4,000,000	n/a
Total per year	6,000,000	n/a
Employers' Liability	4,000,000	n/a
Legal Liability:		
Injury Limit	4,000,000	2,500
Aggregate	6,000,000	0
Fiduciary Liability:		
Claim Limit	4,000,000	2,500
Aggregate	6,000,000	0

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

**C. Employee Medical Benefits**

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, prescription drug, vision and dental benefits. The Mahoning County Insurance Consortium is a shared risk pool comprised of various Mahoning County school districts. Rates are set through an annual calculation process. The Western Reserve Local School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses

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and claims. The School District pays medical/surgical premiums of \$1,385 for family coverage, \$495 for single coverage, \$1,039 for employee plus spouse, and \$841 for employee plus child/children per employee per month. The School District pays \$68 for family dental coverage, \$28 for single dental coverage, \$53 for employee plus spouse dental coverage, and \$47 for employee plus child/children dental coverage. The School District also pays vision of \$12 for family, \$4 for single vision coverage, \$8 for employee plus spouse vision coverage and \$7 for employee plus child/children vision coverage per employee per month.

In previous years, the School District elected to provide vision benefits through a self-insurance program. The School District maintains an insurance reserve fund to account for and finance its uninsured risks of loss in this program. The District is no longer self-insured for vision benefits but keeps a small balance in the general fund committed until it is certain no more claims will need to be paid.

**Note 13 – Defined Benefits Pension Plans**

**A. 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 an effect on beginning net position as reported at June 30, 2014 (see Note 3). 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 reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

GASB 68 assumes the liability is solely the obligation of 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

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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.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. A liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**B. School Employees Retirement System**

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

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 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 fiscal year ending 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 District's contractually required contribution to SERS was \$105,755 for the fiscal year ended June 30, 2015. Of this amount \$23,783 was reported as an intergovernmental payable.

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**C. State Teachers Retirement System**

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

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.

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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 District’s contractually required contribution to STRS was \$440,227 for the fiscal year ended June 30, 2015. Of this amount \$63,947 was reported as an intergovernmental payable.

***D. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability 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 Districts proportion of the net pension liability was based on the Districts share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$1,338,872	\$7,335,800	\$8,674,672
Proportion of the Net Pension Liability	0.02645500%	0.03015936%	
Pension Expense	\$78,737	\$338,907	\$417,644

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

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$11,395	\$70,623	\$82,018
District contributions subsequent to the measurement date	129,333	440,988	570,321
<b>Total Deferred Outflows of Resources</b>	<b>\$140,728</b>	<b>\$511,611</b>	<b>\$652,339</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$217,303	\$1,357,151	\$1,574,454

\$570,321 reported as deferred outflows of resources related to pension resulting from 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:

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	SERS	STRS	Total
<b>Fiscal Year Ending June 30:</b>			
2016	(\$51,477)	(\$321,632)	(\$373,109)
2017	(51,477)	(321,632)	(373,109)
2018	(51,477)	(321,632)	(373,109)
2019	(51,477)	(321,632)	(373,109)
Total	<u>(\$205,908)</u>	<u>(\$1,286,528)</u>	<u>(\$1,492,436)</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.

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

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. 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.

**Sensitivity of the 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.

<u></u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's Proportionate Share of the Net Pension Liability	\$1,910,173	\$1,338,872	\$858,359

**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% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% 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

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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:

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

**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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the 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 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's Proportionate Share of the Net Pension Liability	\$10,501,998	\$7,335,800	\$4,658,262

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**Note 14 – Postemployment Benefits**

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

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 District's surcharge obligation was \$12,884.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$12,541, \$14,632 and \$11,615, respectively. For fiscal year 2015, 68 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$33,092, and \$31,388 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

**Note 15 - Employee Benefits**

***A. Life Insurance***

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

***B. Compensated Absences***

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

**Note 16 - Interfund Transfers**

The general fund made three transfers totaling \$60,458 to the district managed student activity fund, the educational management information systems special revenue fund and the building capital projects fund in the amounts of \$34,256, \$24,412 and \$1,790, respectively.

The classroom facilities capital project fund transferred \$351,641 to the permanent improvement capital projects fund to close out the project.

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**Note 17 - Long-term Obligations**

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

	(Restated) Outstanding 6/30/14	Additions	Deductions	Outstanding 6/30/15	Amounts due in One Year
<b>General Obligation Bonds:</b>					
2009 Ohio School Facilities Bonds					
Current Interest Serial Bonds 2.5% - 4.75%	\$5,180,000	\$0	(\$255,000)	\$4,925,000	\$280,000
Current Interest Term Bonds 4.75%	4,895,000	0	0	4,895,000	0
Capital Appreciation Bonds 20.0%	68,164	0	0	68,164	0
Accretion on C.A.B.'s	93,809	32,394	0	126,203	0
Unamortized Premium on Bonds	132,315	0	(5,881)	126,434	0
<b>Total General Obligation Bonds</b>	<b>10,369,288</b>	<b>32,394</b>	<b>(260,881)</b>	<b>10,140,801</b>	<b>280,000</b>
<b>Other Long-Term Obligations:</b>					
School Bus Loan	10,100	0	(10,100)	0	0
Early Retirement Incentive	0	69,060	0	69,060	69,060
Compensated Absences	475,459	79,535	(73,534)	481,460	20,400
<b>Total Other Long-Term Obligations</b>	<b>485,559</b>	<b>148,595</b>	<b>(83,634)</b>	<b>550,520</b>	<b>89,460</b>
<b>Total Before Net Pension Liability:</b>	<b>10,854,847</b>	<b>180,989</b>	<b>(344,515)</b>	<b>10,691,321</b>	<b>369,460</b>
<b>Net Pension Liability:</b>					
STRS	8,738,357	0	(1,402,557)	7,335,800	0
SERS	1,573,194	0	(234,322)	1,338,872	0
<b>Total Net Pension Liability</b>	<b>10,311,551</b>	<b>0</b>	<b>(1,636,879)</b>	<b>8,674,672</b>	<b>0</b>
<b>Total Long-Term Obligations</b>	<b>\$21,166,398</b>	<b>\$180,989</b>	<b>(\$1,981,394)</b>	<b>\$19,365,993</b>	<b>\$369,460</b>

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

The 2009 classroom facilities general obligation bonds include capital appreciation bonds of \$68,164 with a rate of 20 percent. This year the addition on these bonds aggregating \$32,394 represents the accretion of discounted interest. The final maturity of these bonds on January 15, 2019 is \$390,000.

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

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

The District pays obligations related to employee compensation from the fund benefitting from their service.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

The School District's overall legal debt margin was \$2,482,564 with an unvoted debt margin of \$99,109 at June 30, 2015. Principal requirements to retire general obligation debt outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$280,000	\$425,212	\$705,212	\$0	\$0	\$0
2017	290,000	416,813	706,813	0	0	0
2018	235,000	408,112	643,112	13,281	51,719	65,000
2019	0	400,770	400,770	54,883	270,117	325,000
2020	325,000	400,770	725,770	0	0	0
2021 - 2025	1,930,000	1,797,145	3,727,145	0	0	0
2026 - 2030	2,380,000	1,366,573	3,746,573	0	0	0
2031 - 2035	2,980,000	770,212	3,750,212	0	0	0
2036 - 2037	1,400,000	100,462	1,500,462	0	0	0
<b>Total</b>	<b>\$9,820,000</b>	<b>\$6,086,069</b>	<b>\$15,906,069</b>	<b>\$68,164</b>	<b>\$321,836</b>	<b>\$390,000</b>

**Note 18 - Public Entity Risk Pools**

**A. Shared Risk Pool**

*Mahoning County Schools Employee Insurance Consortium* The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of various Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. A member can withdraw from participation in the Consortium by notifying the fiscal agent on or before January 15 of the year preceding the fiscal year in which the School District will withdraw. If the School District withdraws, no further contribution would be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

**B. Insurance Purchasing Pools**

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

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

**Note 19 - Set-Asides**

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

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

	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2014	\$0	\$67,313
Current Year Set-Aside Requirement	121,278	0
Qualifying Disbursements	0	0
Current Year Offsets	(234,588)	0
Total	(\$113,310)	\$67,313
Set-Aside Balance Carried Forward to		
Future Fiscal Years	\$0	\$67,313
Cash balance as of June 30, 2015	\$0	\$67,313

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

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

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Note 20 - Contingencies**

***A. Grants***

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 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.

***C. School District 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 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 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 District.

**Note 21 – Subsequent Event**

On February 4, 2016, the Board of Education passed resolution 056-16 authorizing the issuance of \$9,015,000 refunding bonds. The bonds were issued at a lower interest rate and will refund a portion of the 2009 classroom facilities improvement bonds.

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**Western Reserve Local School District**

Mahoning County, Ohio

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*School Employees Retirement System of Ohio (SERS)*

*Last Two Fiscal Years (1)*

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	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.02645500%	0.02645500%
School District's Proportionate Share of the Net Pension Liability	\$1,338,872	\$1,573,194
School District's Covered-Employee Payroll	\$924,033	\$839,672
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	144.89%	187.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**Western Reserve Local School District**

Mahoning County, Ohio

*Required Supplementary Information*

*Schedule of the School District's Proportionate Share of the Net Pension Liability*

*State Teachers Retirement System of Ohio (STRS)*

*Last Two Fiscal Years (1)*

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	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.030159360%	0.030159360%
School District's Proportionate Share of the Net Pension Liability	\$7,335,800	\$8,738,357
School District's Covered-Employee Payroll	\$3,288,154	\$3,138,770
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	223.10%	278.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

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

*Required Supplementary Information*  
*Schedule of School District Contributions*  
*School Employees Retirement System of Ohio (SERS)*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$129,333	\$128,071	\$116,211	\$117,281
Contributions in Relation to the Contractually Required Contribution	(\$129,333)	(\$128,071)	(\$116,211)	(\$117,281)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$981,282	\$924,033	\$839,672	\$871,975
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

2011	2010	2009	2008	2007	2006
\$105,544	\$115,745	\$83,029	\$77,347	\$81,421	\$81,096
(\$105,544)	(\$115,745)	(\$83,029)	(\$77,347)	(\$81,421)	(\$81,096)
\$0	\$0	\$0	\$0	\$0	\$0
\$839,657	\$854,838	\$843,794	\$787,648	\$762,369	\$766,503
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

*Required Supplementary Information*  
*Schedule of School District Contributions*  
*State Teachers Retirement System of Ohio (STRS)*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$440,988	\$427,460	\$408,040	\$402,020
Contributions in Relation to the Contractually Required Contribution	(\$440,988)	(\$427,460)	(\$408,040)	(\$402,020)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,149,914	\$3,288,154	\$3,138,770	\$3,092,460
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$422,698	\$423,444	\$404,651	\$392,002	\$370,981	\$374,385
(\$422,698)	(\$423,444)	(\$404,651)	(\$392,002)	(\$370,981)	(\$374,385)
\$0	\$0	\$0	\$0	\$0	\$0
\$3,251,523	\$3,257,262	\$3,112,700	\$3,015,400	\$2,853,700	\$2,879,885
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**Western Reserve Local School District**

Mahoning County, Ohio

*Notes to Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015*

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Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, (the District) as of and for the year ended June 30, 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 April 22, 2016, in which we noted the District implemented Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68".

### ***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 opinion 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

April 22, 2016



# Dave Yost • Auditor of State

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2016**