



Dave Yost • Auditor of State

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund.....	17
Statement of Net Assets – Governmental Activities – Internal Service Fund.....	18
Statement of Revenues, Expenses and Changes in Net Assets – Governmental Funds – Internal Service Fund.....	19
Statement of Cash Flows – Governmental Activities – Internal Service Fund	20
Statement of Fiduciary Assets and Liabilities – Agency Fund	21
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	47
Notes to the Federal Awards Receipts and Expenditures Schedule	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings – OMB Circular A-133 § .505	53
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	55

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Western Local School District, Pike County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 30, 2013

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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2012 are as follows:

- Net assets of governmental activities decreased \$1,306,854.
- General revenues accounted for \$7,340,389 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$2,030,069 or 22% of total revenues of \$9,370,458.
- The School District had \$10,677,312 in expenses related to governmental activities; only \$2,030,069 of these expenses was offset by program specific charges for services and sales, grants, and contributions while the remainder of these expenses was partially offset by general revenues.

USING THIS ANNUAL FINANCIAL REPORT

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

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

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

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

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial statements 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 fund is the General Fund.

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

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

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

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

THE SCHOOL DISTRICT AS A WHOLE

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

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$6,148,210	\$6,878,652
Capital Assets, Net	15,936,521	16,735,237
Total Assets	<u>22,084,731</u>	<u>23,613,889</u>
Liabilities		
Long-term Liabilities	1,154,368	1,256,035
Current and Other Liabilities	1,637,817	1,758,454
Total Liabilities	<u>2,792,185</u>	<u>3,014,489</u>
Net Assets		
Invested in Capital Assets, Net of Debt	14,966,521	15,739,150
Restricted	1,615,961	1,659,579
Unrestricted	2,710,064	3,200,671
Total Net Assets	<u>\$19,292,546</u>	<u>\$20,599,400</u>

Total net assets of the School District as a whole decreased \$1,306,854. The decrease to capital assets and net assets is due mainly to current year depreciation, which was partially offset by additions. The decrease to long-term liabilities is due to current year principal payments and lower compensated absences balances. The School District showed a decrease in current and other assets due to a decrease in cash on hand at fiscal year end, which was partially offset by an increase in property taxes receivable. Current and other liabilities decreased due primarily to a decrease in accrued wages and benefits and intergovernmental payables which was partially offset by an increase in deferred revenues.

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

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
Program Revenues		
Charges for Services and Sales	\$357,121	\$264,892
Operating Grants and Contributions	1,672,948	2,071,217
Total Program Revenues	<u>2,030,069</u>	<u>2,336,109</u>
General Revenues		
Property Taxes	900,714	817,873
Grants and Entitlements not Restricted to Specific Programs	6,414,995	5,940,029
Gifts and Donations not Restricted to Specific Programs	1,455	4,660
Investment Earnings	17,003	54,697
Gain on Sale of Capital Assets	0	3,893
Miscellaneous	6,222	41,025
Total General Revenues	<u>7,340,389</u>	<u>6,862,177</u>
Total Revenues	<u>9,370,458</u>	<u>9,198,286</u>
Program Expenses		
Instruction:		
Regular	3,923,712	3,924,789
Special	1,520,534	1,568,496
Other	718,777	725,615
Support Services:		
Pupil	472,780	472,223
Instructional Staff	424,499	480,490
Board of Education	14,877	17,031
Administration	847,524	874,189
Fiscal	199,382	310,485
Operation and Maintenance of Plant	909,965	1,078,334
Pupil Transportation	787,039	864,588
Central	115,714	110,559
Operation of Non-Instructional Services	489,962	402,359
Extracurricular Activities	175,665	172,999
Intergovernmental	51,513	52,487
Interest and Fiscal Charges	25,369	43,425
Total Expenses	<u>10,677,312</u>	<u>11,098,069</u>
Decrease in Net Assets	(1,306,854)	(1,899,783)
Net Assets, Beginning of Year	<u>20,599,400</u>	<u>22,499,183</u>
Net Assets, End of Year	<u>\$ 19,292,546</u>	<u>\$ 20,599,400</u>

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

Over the past several years, the School District has remained in good financial position. The expenses for the School District have decreased from the prior year due to decreases in fiscal, which were partially offset by an increase in operation of non-instructional services. The decrease in fiscal was primarily due to a decrease in severance payments from 2011. The increase in non-instructional services was primarily due to an increase in Education Jobs funding. Operating grants and contributions decreased due to a decrease in State Fiscal Stabilization receipts, which were partially offset by increased Education Jobs program receipts. Grants and entitlements not restricted to specific programs increased due to primarily to increased foundation settlement receipts. Charges for services and sales increased primarily due to increased tuition receipts.

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

Table 3
 Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2012		2011	
Program Expenses				
Instruction:				
Regular	\$3,923,712	\$3,821,519	\$3,924,789	\$3,837,310
Special	1,520,534	891,018	1,568,496	863,491
Other	718,777	692,464	725,615	674,490
Support Services:				
Pupil	472,780	332,692	472,223	313,169
Instructional Staff	424,499	177,647	480,490	225,791
Board of Education	14,877	14,404	17,031	16,638
Administration	847,524	735,920	874,189	714,331
Fiscal	199,382	192,574	310,485	303,073
Operation and Maintenance of Plant	909,965	857,025	1,078,334	778,339
Pupil Transportation	787,039	744,354	864,588	795,874
Central	115,714	27,856	110,559	19,688
Operation of Non-Instructional Services	489,962	17,276	402,359	27,059
Extracurricular Activities	175,665	109,845	172,999	140,478
Intergovernmental	51,513	8,194	52,487	8,804
Interest and Fiscal Charges	25,369	24,455	43,425	43,425
Total	<u>\$10,677,312</u>	<u>\$8,647,243</u>	<u>\$11,098,069</u>	<u>\$8,761,960</u>

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

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$9,553,923 and expenditures and other financing uses of \$10,145,837.

The General Fund had a decrease in fund balance of \$632,116. This decrease is to expenditures exceeding revenues for the current year. The General Fund had revenues and other financing sources in the amount of \$7,415,509 and expenditures and other financing uses of \$8,047,625.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2012, the School District amended its General Fund budget.

For the General Fund, final budgeted revenue was \$7,533,123, above original estimates of \$6,759,729. This increase was a result of an increase in property tax, tuition and fees, and intergovernmental revenues. For the General Fund, final appropriations were \$8,448,422, above original estimates of \$8,065,536. This increase was due primarily to increases in regular instruction, pupils, and operation and maintenance of plant. The School District's ending unobligated General Fund balance was \$2,769,432.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the School District had \$15,936,521 invested in land and land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2012 balances compared to 2011.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2012	2011
Land	\$364,219	\$364,219
Land Improvements	883,681	975,297
Buildings and Improvements	14,055,537	14,710,758
Furniture and Equipment	193,528	236,684
Vehicles	311,939	310,694
Library Books and Textbooks	30,616	38,354
Infrastructure	97,001	99,231
Totals	\$15,936,521	\$16,735,237

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

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

Debt

At June 30, 2012, the School District had general obligation bonds outstanding of \$470,000 and an energy conservation bond outstanding of \$500,000. The bonds were issued for school construction, while the energy conservation bond was for energy conservation improvements. For additional information on debt, see Note 12 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rock Lambert, Treasurer at Western Local School District, 7959 State Route 124, Latham, Ohio 45646.

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Western Local School District
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,057,100
Cash and Cash Equivalents with Escrow Agents	58,404
Intergovernmental Receivable	594,948
Property Taxes Receivable	1,437,758
Noncurrent Assets:	
Non-Depreciable Capital Assets	364,219
Depreciable Capital Assets, Net	15,572,302
<i>Total Assets</i>	22,084,731
Liabilities	
Accounts Payable	16,625
Accrued Wages and Benefits Payable	601,947
Claims Payable	5,799
Deferred Revenue	818,888
Intergovernmental Payable	194,558
Long-Term Liabilities:	
Due Within One Year	92,294
Due In More Than One Year	1,062,074
<i>Total Liabilities</i>	2,792,185
Net Assets	
Invested in Capital Assets, Net of Related Debt	14,966,521
Restricted for:	
Capital Projects	595,326
Debt Service	449,632
Title I	183,338
Title VI-B	82,773
Classroom Facilities and Maintenance	109,207
Lunchroom	78,063
Other Purposes	117,622
Unrestricted	2,710,064
<i>Total Net Assets</i>	\$ 19,292,546

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 3,923,712	\$ 102,044	\$ 149	\$ (3,821,519)
Special	1,520,534	25,382	604,134	(891,018)
Other	718,777	22,704	3,609	(692,464)
Support Services:				
Pupil	472,780	10,112	129,976	(332,692)
Instructional Staff	424,499	4,222	242,630	(177,647)
Board of Education	14,877	473	-	(14,404)
Administration	847,524	23,435	88,169	(735,920)
Fiscal	199,382	6,068	740	(192,574)
Operation and Maintenance of Plant	909,965	25,431	27,509	(857,025)
Pupil Transportation	787,039	24,681	18,004	(744,354)
Central	115,714	371	87,487	(27,856)
Operation of Non-Instructional Services	489,962	76,019	396,667	(17,276)
Extracurricular Activities	175,665	35,903	29,917	(109,845)
Intergovernmental	51,513	-	43,319	(8,194)
Interest and Fiscal Charges	25,369	276	638	(24,455)
<i>Totals</i>	<u>\$ 10,677,312</u>	<u>\$ 357,121</u>	<u>\$ 1,672,948</u>	<u>(8,647,243)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				801,861
Debt Service				86,599
Classroom Facilities Maintenance				12,254
Grants and Entitlements not Restricted to Specific Programs				6,414,995
Gifts and Donations not Restricted to Specific Programs				1,455
Investment Earnings				17,003
Miscellaneous				6,222
<i>Total General Revenues</i>				<u>7,340,389</u>
<i>Change in Net Assets</i>				(1,306,854)
<i>Net Assets Beginning of Year</i>				<u>20,599,400</u>
<i>Net Assets End of Year</i>				<u>\$ 19,292,546</u>

See accompanying notes to the basic financial statements.

Western Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,822,007	\$ 1,171,530	\$ 3,993,537
Cash and Cash Equivalents with Escrow Agents	58,404	-	58,404
Receivables:			
Property Taxes	1,277,206	160,552	1,437,758
Interfund	42,093	-	42,093
Intergovernmental	48,013	546,935	594,948
<i>Total Assets</i>	<u><u>\$ 4,247,723</u></u>	<u><u>\$ 1,879,017</u></u>	<u><u>\$ 6,126,740</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 8,306	\$ 8,319	\$ 16,625
Accrued Wages and Benefits Payable	452,158	149,789	601,947
Interfund Payable	-	42,093	42,093
Intergovernmental Payable	171,190	23,368	194,558
Deferred Revenue	1,276,061	463,672	1,739,733
<i>Total Liabilities</i>	<u><u>1,907,715</u></u>	<u><u>687,241</u></u>	<u><u>2,594,956</u></u>
Fund Balances			
Restricted	58,404	1,195,106	1,253,510
Assigned	52,575	-	52,575
Unassigned	2,229,029	(3,330)	2,225,699
<i>Total Fund Balances</i>	<u><u>2,340,008</u></u>	<u><u>1,191,776</u></u>	<u><u>3,531,784</u></u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$ 4,247,723</u></u>	<u><u>\$ 1,879,017</u></u>	<u><u>\$ 6,126,740</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$ 3,531,784
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		15,936,521
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	563,560	
Intergovernmental	309,272	
Accounts Receivable	48,013	
Total		920,845
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		57,764
Long-term liabilities, including bonds, capital leases payable and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(184,368)	
Energy Conservation Bonds	(500,000)	
General Obligation Bond	(470,000)	
Total		(1,154,368)
Net Assets of Governmental Activities		\$ 19,292,546

See accompanying notes to the basic financial statements.

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 762,614	\$ 95,968	\$ 858,582
Intergovernmental	6,366,786	1,812,147	8,178,933
Interest	15,276	1,727	17,003
Rent	315	-	315
Tuition and Fees	237,519	-	237,519
Extracurricular Activities	11,834	31,460	43,294
Gifts and Donations	1,455	300	1,755
Customer Sales and Services	-	75,993	75,993
Miscellaneous	5,403	819	6,222
<i>Total Revenues</i>	<u>7,401,202</u>	<u>2,018,414</u>	<u>9,419,616</u>
Expenditures			
Current:			
Instruction:			
Regular	3,277,018	177	3,277,195
Special	798,232	726,219	1,524,451
Other	714,485	4,292	718,777
Support Services:			
Pupil	318,219	156,023	474,242
Instructional Staff	133,396	288,525	421,921
Board of Education	14,877	-	14,877
Administration	718,657	105,561	824,218
Fiscal	212,292	4,235	216,527
Operation and Maintenance of Plant	807,752	67,163	874,915
Pupil Transportation	776,016	1,698	777,714
Central	7,362	99,555	106,917
Operation of Non-Instructional Services	806	471,699	472,505
Extracurricular Activities	139,813	35,576	175,389
Intergovernmental	-	51,513	51,513
Debt Service:			
Principal	-	55,000	55,000
Interest and Fiscal Charges	8,700	16,669	25,369
<i>Total Expenditures</i>	<u>7,927,625</u>	<u>2,083,905</u>	<u>10,011,530</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(526,423)</u>	<u>(65,491)</u>	<u>(591,914)</u>
Other Financing Sources (Uses)			
Operating Transfers In	14,307	120,000	134,307
Operating Transfers Out	(120,000)	(14,307)	(134,307)
<i>Total Other Financing Sources (Uses)</i>	<u>(105,693)</u>	<u>105,693</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(632,116)	40,202	(591,914)
<i>Fund Balances at Beginning of Year - As Restated</i>	<u>2,972,124</u>	<u>1,151,574</u>	<u>4,123,698</u>
<i>Fund Balances at End of Year</i>	<u>\$ 2,340,008</u>	<u>\$ 1,191,776</u>	<u>\$ 3,531,784</u>

See accompanying notes to the basic financial statements.

Western Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$591,914)

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

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

Capital Asset Additions	81,550	
Current Year Depreciation	(880,266)	
Total	(798,716)	(798,716)

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

Taxes	42,132	
Intergovernmental	(91,290)	
Total	(49,158)	(49,158)

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

55,000

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

2,354

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.

Decrease in Compensated Absences	75,580	
Total	75,580	<u>75,580</u>

Net Change in Net Assets of Governmental Activities (\$1,306,854)

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original Budget	Final Budget		
Total Revenues and Other Sources	\$ 6,759,729	\$ 7,533,123	\$ 7,533,123	\$ -
Total Expenditures and Other Uses	8,065,536	8,448,422	8,448,422	-
Net Change in Fund Balance	(1,305,807)	(915,299)	(915,299)	-
Fund Balance, July 1, 2011	3,525,727	3,525,727	3,525,727	-
Prior Year Encumbrances Appropriated	159,004	159,004	159,004	-
Fund Balance, June 30, 2012	<u>\$ 2,378,924</u>	<u>\$ 2,769,432</u>	<u>\$ 2,769,432</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Net Assets
Governmental Activities - Internal Service Fund
June 30, 2012

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents \$63,563

Total Assets 63,563

Liabilities

Current Liabilities:

Claims Payable 5,799

Total Liabilities 5,799

Net Assets

Unrestricted \$57,764

See accompanying notes to the basic financial statements.

Western Local School District
*Statement of Revenues, Expenses and
Changes In Net Assets*
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2012

Operating Revenues	
Charges for Services	<u>\$94,344</u>
<i>Total Operating Revenues</i>	<u>94,344</u>
Operating Expenses	
Purchased Services	25,581
Claims Expense	<u>66,409</u>
<i>Total Operating Expenses</i>	<u>91,990</u>
Change in Net Assets	2,354
Net Assets at Beginning of Year	<u>55,410</u>
Net Assets at End of Year	<u><u>\$57,764</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2012

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Transaction with Other Funds	\$94,344
Cash Payments to Suppliers for Services	(25,581)
Cash Payments for Claims	<u>(70,599)</u>

Net Cash Used for Operating Activities (1,836)

Cash and Cash Equivalents at Beginning of Year 65,399

Cash and Cash Equivalents at End of Year \$63,563

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

Operating Income \$2,354

Changes in Liabilities:

Decrease in Claims Payable (4,190)

Net Cash Used for Operating Activities (\$1,836)

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2012

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,008</u>
Total Assets	<u>*****& 22:</u>
Liabilities	
Undistributed Monies	<u>\$9,008</u>
Total Liabilities	<u>\$9,008</u>

See accompanying notes to the basic financial statements.

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1934 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 87 square miles. It is located in Pike County and includes Benton, Mifflin, Pebble, Perry, and Sunfish Townships. It is staffed by 41 non-certificated employees and 65 certificated full-time teaching personnel who provide services to 822 students and other community members.

Reporting Entity:

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses.

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

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

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

Proprietary Funds

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

Internal Service Fund

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

Fiduciary Funds

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

Measurement Focus

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Basis of Accounting

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

Revenues-Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 5) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

C. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

D. Cash and Cash Equivalents

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

During fiscal year 2012, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2012 amounted to \$15,276 to the General Fund and \$1,727 to the Non-Major governmental funds.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

E. Capital Assets and Depreciation

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land are depreciated. Depreciable capital assets are depreciated using the straight-line method over an estimated useful life of 50 years for buildings, 20 years for land improvements, 20 to 30 years for building improvements, 7 to 20 years for furniture and equipment, 8 years for vehicles, 6-15 years for library books and textbooks and 50 years for infrastructure which consists of a sewer plant and sewer lines.

F. Interfund Activity

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

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-Term Obligations

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

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

I. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

J. Estimates

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes represent balances in special revenue funds for grants whose use is restricted by grant agreements.

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

Of the School District's \$1,615,961 in restricted net assets, \$0 is restricted by enabling legislation.

L. Interfund Balances

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	Net Change in Fund Balance General
GAAP Basis	\$(632,116)
Revenue Accruals	137,459
Expenditure Accruals	(376,262)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	51
Encumbrances	(44,431)
Budget Basis	\$(915,299)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);
8. Certain bankers’ acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers’ acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2012, the School District’s bank balance of \$4,234,629 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments: The School District had the following investments at June 30, 2012:

	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$912	0
	\$912	0

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

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

NOTE 5 - PROPERTY TAXES

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

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

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

Tangible personal property tax revenue received during calendar year 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after April 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

NOTE 5 - PROPERTY TAXES (continued)

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$36,441,150	91.22%	\$41,991,590	92.14%
Public Utility	3,440,270	8.61%	3,580,200	7.86%
Tangible Personal Property	<u>68,570</u>	<u>0.17%</u>	<u>-</u>	<u>0.00%</u>
Total Assessed Value	<u>\$39,949,990</u>	<u>100.00%</u>	<u>\$45,571,790</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.75		\$32.75	

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2012 and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2012, was \$49,158 in the General Fund and \$6,152 in the Non-Major funds.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Fund:	
General Fund	\$48,013
Non-major Special Revenue Funds:	
Technology Grant	5,259
Title I	250,803
School Improvement	45,442
Education Jobs	69,191
Title VI-B	150,974
Title II-A	8,072
Misc. Federal Grants	<u>17,194</u>
Total Non-major Special Revenue Funds	<u>546,935</u>
Total Governmental Activities	<u>\$594,948</u>

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

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with the Ohio School Plan for fleet insurance, liability insurance, and inland marine coverage. Lorbach Insurance Agency provides public official bonds. Total coverage amounted to \$31,752,798 with a \$1,000 deductible.

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

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Dominguez Consulting provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. The claims liability of \$5,799 reported in the internal service fund at June 30, 2012 is based on an estimate provided by Coresource and the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2011	\$7,914	\$98,997	\$96,922	\$9,989
2012	9,989	66,409	70,599	5,799

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

NOTE 8 - CAPITAL ASSETS

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

	Ending Balance 6/30/11	Additions	Deletions	Ending Balance 6/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$364,219	\$-	\$-	\$364,219
Construction in Progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>364,219</u>	<u>-</u>	<u>-</u>	<u>364,219</u>
Capital Assets Being Depreciated				
Land Improvements	1,826,809	-	-	1,826,809
Buildings and Improvements	20,633,276	-	-	20,633,276
Furniture and Equipment	714,472	-	-	714,472
Vehicles	1,388,321	81,550	-	1,469,871
Library Books and Textbooks	412,216	-	-	412,216
Infrastructure	111,496	-	-	111,496
Total Capital Assets, Being Depreciated	<u>25,086,590</u>	<u>81,550</u>	<u>-</u>	<u>25,168,140</u>
Less Accumulated Depreciation:				
Land Improvements	(851,512)	(91,616)	-	(943,128)
Buildings and Improvements	(5,922,518)	(655,221)	-	(6,577,739)
Furniture and Equipment	(477,788)	(43,156)	-	(520,944)
Vehicles	(1,077,627)	(80,305)	-	(1,157,932)
Library Books and Textbooks	(373,862)	(7,738)	-	(381,600)
Infrastructure	(12,265)	(2,230)	-	(14,495)
Total Accumulated Depreciation	<u>(8,715,572)</u>	<u>(880,266)</u>	<u>-</u>	<u>(9,595,838)</u>
Total Capital Assets Being Depreciated, Net	<u>16,371,018</u>	<u>(798,716)</u>	<u>-</u>	<u>15,572,302</u>
Governmental Activities Capital Assets, Net	<u>\$16,735,237</u>	<u>(\$798,716)</u>	<u>-</u>	<u>\$15,936,521</u>

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

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$714,641
Special	3,380
Support Services:	
Instructional Staff	3,126
Administration	4,492
Fiscal	4,187
Operation and Maintenance of Plant	47,110
Pupil Transportation	90,196
Operations of Non-Instructional Services	12,858
Extracurricular Activities	276
Total Depreciation Expense	\$880,266

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Employer/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions for pension obligations to SERS, which were allocated for pension and death benefits, for the fiscal years ended June 30, 2012, 2011, and 2010 were \$153,587, \$152,510, and \$178,261, respectively; 61 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. \$60,107 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

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

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

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

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$490,226, \$511,078, and \$467,214, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. \$78,319 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$38,491, \$38,553, and \$35,688 for fiscal years 2012, 2011, and 2010, respectively; which equaled the required allocations for those years.

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocation was 0.75 percent, 0.76 percent, and 0.76 percent. For the School District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$10,318, \$9,994, and \$8,912, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amount assigned to health care, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$24,186, \$35,425, and \$22,163, respectively, which is equal to the required allocation for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

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

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/11*	Additions	Deductions	Principal Outstanding 6/30/12	Due In One Year
1995 School Improvement General Obligation Bonds - 4.05% to 6.35%	\$25,000	\$0	\$55,000	\$470,000	\$60,000
Energy Conservation Bond- 1.74%	500,000	0	0	500,000	0
Compensated Absences	259,948	515,987	591,567	184,368	32,294
Total Long-Term Obligations	\$1,284,948	\$515,987	\$646,567	\$1,154,368	\$92,294

*Beginning balance has been restated.

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

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

NOTE 12 - LONG-TERM OBLIGATIONS (continued)

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

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

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

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

The School District's overall legal debt margin was \$3,631,461 with an unvoted debt margin of \$45,572 at June 30, 2012.

Principal and interest requirements to retire general obligation debt at June 30, 2012, are as follows:

	Principal	Interest	Total
2013	\$60,000	\$27,941	\$87,941
2014	70,000	23,813	93,813
2015	75,000	19,209	94,209
2016	80,000	14,288	94,288
2017	90,000	5,874	95,874
2018	95,000	6,032	101,032
Total:	\$470,000	\$97,157	\$567,157

Fiscal Year Ending June 30,	2012 Energy Conservation Bonds		
	Principal	Interest	Sinking Fund Payments
2013	\$ -	\$ 8,700	\$ 28,913
2014	-	8,700	28,913
2015	-	8,700	28,913
2016	-	8,700	28,913
2017	-	8,700	28,913
2018-2022	-	43,500	144,565
2023-2026	500,000	26,100	86,739
	\$ 500,000	\$ 113,100	\$ 375,869

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Pickaway, Gallia, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$116,723 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$650 to the Coalition for services provided during the year.

NOTE 14 - INSURANCE PURCHASING POOL

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

NOTE 15 - CONTINGENCIES

A. Grants

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

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

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVE

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

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

	Capital Acquisition
Set-aside Balance as of June 30, 2011	\$0
Current year set-aside requirement	140,362
Current year offsets	(14,602)
Current Year Qualifying Expenditures	(125,760)
Balance Carried Forward to Fiscal Year 2012	\$0
Reserve Balance as of June 30, 2012	\$0

The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the reserve for capital improvements to \$0. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$347,947 at June 30, 2012.

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2012, were as follows:

	Transfer From	Transfer To
Major Fund:		
General	\$120,000	\$14,307
Non Major Fund:		
Management Information System	14,307	120,000
Total Non Major Fund	14,307	\$120,000
Total All Funds	\$134,307	\$134,307

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers from the Management Information System Fund to the General Fund were to close out the fund at the end of the project.

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

NOTE 17 – INTERFUND ACTIVITY (continued)

Interfund Advances

Interfund balances at June 30, 2012, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2013 fiscal year:

	Receivable	Payable
Major Fund:		
General	\$42,093	\$0
Non Major Funds:		
Education Jobs	0	196
Title VI-B	0	41,897
Total Non Major Funds	0	42,093
Total	\$42,093	\$42,093

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

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

At June 30, 2012, the Management Information Systems Fund had fund balance deficit of \$3,330 which was created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 19 – FUND BALANCES

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

Fund Balances	General	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for			
Title I	\$0	\$38,679	\$38,679
Other Purposes	0	146,613	146,613
Lunchroom	0	78,063	78,063
Capital Improvements	0	595,326	595,326
Debt Services Payments	58,404	336,425	394,829
Total Restricted	58,404	1,195,106	1,253,510
Assigned to			
Other Purposes	52,575	0	52,575
Unassigned (Deficit)	2,229,029	(3,330)	2,225,699
Total Fund Balances	\$2,340,008	\$1,191,776	\$3,531,784

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

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

The District determined that the cash with escrow agents and the energy conservation bond balance were understated as of June 30, 2011. This error had no impact on the net assets of the School District as of June 30, 2011.

The correction of this error had the following impact on the School District’s governmental fund financial statements:

	General	Title I	Other Governmental Funds	Total
Fund Balances, June 30, 2011	\$2,943,211	\$13,989	\$1,137,585	\$4,094,785
Major Fund Reclassification	0	(13,989)	13,989	0
Correction of cash with escrow agent	28,913	0	0	28,913
Restated Fund Balances, June 30, 2011	<u>\$2,972,124</u>	<u>\$0</u>	<u>\$1,151,574</u>	<u>\$4,123,698</u>

NOTE 21 – SUBSEQUENT EVENTS

South Central Ohio Computer Association Council of Governments – Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association (SCOCA). SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2011/2012	10.555	\$ 40,194	\$ 40,194
Cash Assistance:				
School Breakfast Program	2011/2012	10.553	128,517	128,517
National School Lunch Program	2011/2012	10.555	240,483	240,483
Cash Assistance Subtotal			<u>369,000</u>	<u>369,000</u>
Total Child Nutrition Cluster			<u>409,194</u>	<u>409,194</u>
Total U.S. Department of Agriculture			409,194	409,194
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	138,972	135,978
Title I Grants to Local Educational Agencies	2012	84.010	639,867	630,420
Title I School Improvement	2012	84.010	9,558	359
Total Title I Grants to Local Educational Agencies			<u>788,397</u>	<u>766,757</u>
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	36,529	23,239
ARRA - Title I Grants to Local Educational Agencies	2012	84.389	21,717	18,753
Total ARRA - Title I Grants to Local Educational Agencies			<u>58,246</u>	<u>41,992</u>
Total Title I Cluster			846,643	808,749
Special Education Cluster:				
Special Education - Grants to States	2011	84.027	21,366	25,414
	2012	84.027	180,256	222,152
Total Special Education - Grants to States			<u>201,622</u>	<u>247,566</u>
ARRA - Special Education - Grants to States	2011	84.391	46,556	46,556
Total Special Education Cluster			248,178	294,122
Safe and Drug-Free Schools and Communities - State Grants	2011	84.186	(107)	240
Education Technology State Grants	2011	84.318	(105)	-
	2012		105	105
Total Education Technology State Grants			<u>-</u>	<u>105</u>
Rural Education	2011	84.358	(1,180)	684
	2012		9,340	5,862
Total Rural Education			<u>8,160</u>	<u>6,546</u>
Improving Teacher Quality State Grants	2011	84.367	15,693	15,693
	2012		77,628	68,587
Total Improving Teacher Quality State Grants			<u>93,321</u>	<u>84,280</u>
Education Jobs Fund	2011	84.410	2,700	3,251
	2012	84.410	239,344	239,540
Total Education Jobs Fund			<u>242,044</u>	<u>242,791</u>
Total U.S. Department of Education			<u>1,438,239</u>	<u>1,436,833</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,847,433</u>	<u>\$ 1,846,027</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Western Local School District, Pike County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 30, 2013.

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



Dave Yost
Auditor of State

January 31, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Western Local School District, Pike County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

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

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of management, the Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 30, 2013

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster – CFDA #'s 84.010 and 84.389 Education Jobs Fund – CFDA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY**

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-001	Noncompliance citation and material weakness with cash management for the State Fiscal Stabilization Fund	Yes	

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WESTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 19, 2013**