



WESTERN LOCAL SCHOOL DISTRICT

PIKE COUNTY, OHIO

SINGLE AUDIT

For the Year Ended June 30, 2010

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT





Dave Yost • Auditor of State

Board of Education
Western Local School District
7959 State Route 124
Latham, Ohio 45646

We have reviewed the *Independent Auditor's Report* of the Western Local School District, Pike County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Western Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2011

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PIKE COUNTY, OHIO
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PIKE COUNTY, OHIO
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Independent Auditor's Report

Board of Education
Western Local School District
7959 State Route 124
Latham, Ohio 45646

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 (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and the cash flows, where applicable, and the budgetary comparison for the General Fund and the Title I 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 a report dated December 21, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Board of Education
Western Local School District
Independent Auditor's Report

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 21, 2010

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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, 2010. 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 2010 are as follows:

- Net assets of governmental activities decreased \$647,239.
- General revenues accounted for \$6,894,185 in revenue or 68% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$3,279,783 or 32% of total revenues of \$10,173,968.
- The School District had \$10,821,207 in expenses related to governmental activities; only \$3,279,783 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, 2010
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 2010?" 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 funds 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 funds are the General Fund and the Title I 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, 2010
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 2010 compared to 2009.

Table 1
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$8,004,677	\$7,973,031
Capital Assets, Net	17,527,185	17,792,422
Total Assets	25,531,862	25,765,453
Liabilities		
Long-term Liabilities	1,365,087	873,644
Current and Other Liabilities	1,667,592	1,745,387
Total Liabilities	3,032,679	2,619,031
Net Assets		
Invested in Capital Assets, Net of Debt	16,526,876	17,172,422
Restricted	1,957,204	1,505,968
Unrestricted	4,015,103	4,468,032
Total Net Assets	\$22,499,183	\$23,146,422

Total net assets of the School District as a whole decreased \$647,239. The decrease to capital assets and net assets is due mainly to current year depreciation, which was partially offset by additions. The increase to long-term liabilities is due to the School District signing a lease purchase agreement during the current fiscal year. The School District showed an increase in current and other assets due to an increase in intergovernmental receivable which was partially offset by a decrease in cash on hand at fiscal year end.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009*
Revenues		
Program Revenues		
Charges for Services and Sales	\$271,589	\$276,230
Operating Grants and Contributions	3,008,194	2,404,977
Total Program Revenues	<u>3,279,783</u>	<u>2,681,207</u>
General Revenues		
Property Taxes	834,204	802,234
Grants and Entitlements not Restricted to Specific Programs	5,960,240	5,274,071
Gifts and Donations not Restricted to Specific Programs	5,591	7,000
Investment Earnings	90,610	84,561
Gain on Sale of Capital Assets	0	4,297
Miscellaneous	3,540	13,704
Total General Revenues	<u>6,894,185</u>	<u>6,185,867</u>
Total Revenues	<u>10,173,968</u>	<u>8,867,074</u>
Program Expenses		
Instruction:		
Regular	3,878,423	3,692,641
Special	1,761,802	1,408,722
Other	676,919	520,349
Support Services:		
Pupil	365,937	361,334
Instructional Staff	477,348	485,917
Board of Education	34,645	17,931
Administration	792,243	679,988
Fiscal	286,979	257,471
Operation and Maintenance of Plant	978,207	1,014,416
Pupil Transportation	785,255	769,904
Central	128,192	130,668
Operation of Non-Instructional Services	400,605	410,318
Extracurricular Activities	165,291	165,317
Intergovernmental	52,000	61,750
Interest and Fiscal Charges	37,361	39,720
Total Expenses	<u>10,821,207</u>	<u>10,016,446</u>
Decrease in Net Assets	(647,239)	(1,149,372)
Net Assets, Beginning of Year	<u>23,146,422</u>	<u>24,295,794</u>
Net Assets, End of Year	<u>\$ 22,499,183</u>	<u>\$ 23,146,422</u>

*Certain reclassifications were made for consistency with current year reporting. There was no effect on net assets.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Over the past several years, the School District has remained in good financial position. The expenses for the School District have increased from the prior year due to increases in special instruction, other instruction, and administration expenses. Special and other instruction both increased as a direct result of additional funding available from grant programs. Administration expense increased due to the lack of a superintendent for most of the prior year, and the assistant filling in without additional pay. Operating grants and contributions and grants and entitlements not restricted to specific programs both increased due to additional funding associated with the stimulus program.

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
	2010		2009*	
Program Expenses				
Instruction:				
Regular	\$3,878,423	\$3,698,606	\$3,692,641	\$3,215,536
Special	1,761,802	635,001	1,408,722	473,519
Other	676,919	541,900	520,349	378,436
Support Services:				
Pupil	365,937	301,493	361,334	316,588
Instructional Staff	477,348	182,676	485,917	214,559
Board of Education	34,645	33,853	17,931	17,438
Administration	792,243	576,773	679,988	572,572
Fiscal	286,979	280,016	257,471	251,555
Operation and Maintenance of Plant	978,207	588,953	1,014,416	973,524
Pupil Transportation	785,255	689,046	769,904	744,245
Central	128,192	(14,435)	130,668	41,126
Operation of Non-Instructional Services	400,605	(76,707)	410,318	21,983
Extracurricular Activities	165,291	73,163	165,317	87,985
Intergovernmental	52,000	(6,275)	61,750	(13,547)
Interest and Fiscal Charges	37,361	37,361	39,720	39,720
Total	<u>\$10,821,207</u>	<u>\$7,541,424</u>	<u>\$10,016,446</u>	<u>\$7,335,239</u>

*Certain reclassifications were made for consistency with current year's reporting. There was no effect on net assets.

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
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 \$10,198,704 and expenditures and other financing uses of \$10,616,143. The School District remains financially stable in terms of healthy carryovers and our ability to pay bills.

The General Fund had a decrease in fund balance of \$347,236. This decrease is less than the decrease in the prior year, due to an increase in grant funding as well as the inception of a capital lease, which were partially offset by increases in regular instruction and capital outlay. The General Fund received revenues and other financing sources in the amount of \$7,470,505 and expenditures and other financing uses of \$7,817,741. The Title I Fund had \$1,184,352 in revenues and \$1,190,245 in expenditures, which resulted in a fund balance decrease of \$5,893.

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 2010, the School District amended its General Fund budget.

For the General Fund, final budgeted revenue was \$7,487,560, above original estimates of \$6,737,258. This increase was a result of an increase in anticipated funding received from the lease purchase agreement. For the General Fund, final appropriations were \$7,790,842, above original estimates of \$7,533,941. This decrease was due primarily to decreased budget amounts for transfers and advances out. Final appropriations were below actual expenditures due mainly to higher than anticipated operation and maintenance of plant costs incurred. The School District's ending unobligated General Fund balance was \$4,454,986.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the School District had \$17,527,185 invested in land and land improvements, construction in progress 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 2010 balances compared to 2009.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$364,219	\$364,219
Construction in Progress	412,865	0
Land Improvements	1,066,913	1,158,529
Buildings and Improvements	14,901,686	15,534,150
Furniture and Equipment	262,454	271,816
Vehicles	383,257	321,572
Library Books and Textbooks	36,560	40,675
Infrastructure	99,231	101,461
Totals	\$17,527,185	\$17,792,422

Western Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

Debt

At June 30, 2010, the School District had general obligation bonds outstanding of \$575,000 and capital lease obligations outstanding of \$500,000. The bonds were issued for school construction, while the lease was for energy conservation improvements. For additional information on debt, see Notes 12 and 13 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 Paula Branscomb, Treasurer at Western Local School District, 7959 State Route 124, Latham, Ohio 45646.

Western Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,773,361
Accrued Interest Receivable	8,096
Intergovernmental Receivable	962,805
Property Taxes Receivable	1,260,415
Noncurrent Assets:	
Non-Depreciable Capital Assets	777,084
Depreciable Capital Assets, Net	16,750,101
<i>Total Assets</i>	<i>25,531,862</i>
Liabilities	
Accounts Payable	53,760
Accrued Wages and Benefits Payable	705,028
Matured Compensated Absences Payable	3,364
Claims Payable	7,914
Deferred Revenue	685,079
Intergovernmental Payable	212,447
Long-Term Liabilities:	
Due Within One Year	100,144
Due In More Than One Year	1,264,943
<i>Total Liabilities</i>	<i>3,032,679</i>
Net Assets	
Invested in Capital Assets, Net of Related Debt	16,526,876
Restricted for:	
Capital Projects	357,766
Debt Service	698,975
Other Purposes	900,463
Unrestricted	4,015,103
<i>Total Net Assets</i>	<i>\$22,499,183</i>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular	\$3,878,423	\$70,302	\$109,515	(\$3,698,606)
Special	1,761,802	18,068	1,108,733	(635,001)
Other	676,919	13,043	121,976	(541,900)
Support Services:				
Pupil	365,937	7,225	57,219	(301,493)
Instructional Staff	477,348	4,655	290,017	(182,676)
Board of Education	34,645	792	0	(33,853)
Administration	792,243	13,908	201,562	(576,773)
Fiscal	286,979	6,384	579	(280,016)
Operation and Maintenance of Plant	978,207	13,579	375,675	(588,953)
Pupil Transportation	785,255	18,412	77,797	(689,046)
Central	128,192	82	142,545	14,435
Operation of Non-Instructional Services	400,605	52,679	424,633	76,707
Extracurricular Activities	165,291	52,436	39,692	(73,163)
Intergovernmental	52,000	24	58,251	6,275
Interest and Fiscal Charges	37,361	0	0	(37,361)
<i>Totals</i>	<u>\$10,821,207</u>	<u>\$271,589</u>	<u>\$3,008,194</u>	<u>(7,541,424)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				739,031
Debt Service				81,865
Classroom Facilities Maintenance				13,308
Grants and Entitlements not Restricted to Specific Programs				5,960,240
Gifts and Donations not Restricted to Specific Programs				5,591
Investment Earnings				90,610
Miscellaneous				3,540
<i>Total General Revenues</i>				<u>6,894,185</u>
<i>Change in Net Assets</i>				(647,239)
<i>Net Assets Beginning of Year</i>				<u>23,146,422</u>
<i>Net Assets End of Year</i>				<u>\$22,499,183</u>

See accompanying notes to the basic financial statements.

Western Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Title I	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,455,056	\$66,750	\$1,181,716	\$5,703,522
Receivables:				
Property Taxes	1,116,399	0	144,016	1,260,415
Accrued Interest	7,246	0	850	8,096
Interfund	32,911	0	0	32,911
Intergovernmental	27,225	541,465	394,115	962,805
<i>Total Assets</i>	<u>\$5,638,837</u>	<u>\$608,215</u>	<u>\$1,720,697</u>	<u>\$7,967,749</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$16,808	\$23,047	\$13,905	\$53,760
Accrued Wages and Benefits Payable	539,939	104,215	60,874	705,028
Interfund Payable	0	0	32,911	32,911
Matured Compensated Absences Payable	3,364	0	0	3,364
Intergovernmental Payable	183,168	12,689	16,590	212,447
Deferred Revenue	1,023,699	469,465	403,267	1,896,431
<i>Total Liabilities</i>	<u>1,766,978</u>	<u>609,416</u>	<u>527,547</u>	<u>2,903,941</u>
Fund Balances				
Reserved for Encumbrances	279,451	14,743	13,842	308,036
Reserved for Property Taxes	92,700	0	12,018	104,718
Unreserved, Undesignated, Reported in:				
General Fund	3,499,708	0	0	3,499,708
Special Revenue Funds	0	(15,944)	167,459	151,515
Debt Service Funds	0	0	300,856	300,856
Capital Projects Funds	0	0	698,975	698,975
<i>Total Fund Balances</i>	<u>3,871,859</u>	<u>(1,201)</u>	<u>1,193,150</u>	<u>5,063,808</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,638,837</u>	<u>\$608,215</u>	<u>\$1,720,697</u>	<u>\$7,967,749</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, 2010*

Total Governmental Fund Balances		\$ 5,063,808
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.		17,527,185
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	470,618	
Intergovernmental	<u>740,734</u>	
Total		1,211,352
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.		61,925
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	(290,087)	
Capital Lease Obligations	(500,000)	
General Obligation Bonds	<u>(575,000)</u>	
Total		<u>(1,365,087)</u>
Net Assets of Governmental Activities		<u><u>\$ 22,499,183</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Title I	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$729,099	\$0	\$93,945	\$823,044
Intergovernmental	5,984,585	1,184,352	1,293,311	8,462,248
Interest	81,043	0	9,567	90,610
Rent	110	0	33	143
Tuition and Fees	167,432	0	1,209	168,641
Extracurricular Activities	930	0	49,455	50,385
Gifts and Donations	5,591	0	2,082	7,673
Customer Sales and Services	0	0	52,420	52,420
Miscellaneous	1,715	0	1,825	3,540
<i>Total Revenues</i>	<u>6,970,505</u>	<u>1,184,352</u>	<u>1,503,847</u>	<u>9,658,704</u>
Expenditures				
Current:				
Instruction:				
Regular	3,048,426	0	100,940	3,149,366
Special	769,191	796,985	184,531	1,750,707
Other	568,032	100,447	25,485	693,964
Support Services:				
Pupil	315,729	2,038	49,041	366,808
Instructional Staff	201,048	155,220	103,149	459,417
Board of Education	34,645	0	0	34,645
Administration	593,495	86,087	98,500	778,082
Fiscal	276,132	0	3,681	279,813
Operation and Maintenance of Plant	580,985	9,600	346,952	937,537
Pupil Transportation	791,891	0	32,551	824,442
Central	943	0	124,706	125,649
Operation of Non-Instructional Services	3,523	16,921	368,827	389,271
Extracurricular Activities	129,582	0	35,433	165,015
Intergovernmental	0	0	52,000	52,000
Capital Outlay	464,119	22,947	0	487,066
Debt Service:				
Principal	0	0	45,000	45,000
Interest and Fiscal Charges	0	0	37,361	37,361
<i>Total Expenditures</i>	<u>7,777,741</u>	<u>1,190,245</u>	<u>1,608,157</u>	<u>10,576,143</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(807,236)</u>	<u>(5,893)</u>	<u>(104,310)</u>	<u>(917,439)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	500,000	0	0	500,000
Operating Transfers In	0	0	40,000	40,000
Operating Transfers Out	(40,000)	0	0	(40,000)
<i>Total Other Financing Sources (Uses)</i>	<u>460,000</u>	<u>0</u>	<u>40,000</u>	<u>500,000</u>
<i>Net Change in Fund Balances</i>	<u>(347,236)</u>	<u>(5,893)</u>	<u>(64,310)</u>	<u>(417,439)</u>
<i>Fund Balances at Beginning of Year</i>	<u>4,219,095</u>	<u>4,692</u>	<u>1,257,460</u>	<u>5,481,247</u>
<i>Fund Balances at End of Year</i>	<u>\$3,871,859</u>	<u>(\$1,201)</u>	<u>\$1,193,150</u>	<u>\$5,063,808</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$417,439)

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	621,902	
Current Year Depreciation	(886,864)	
Total	(264,962)	(264,962)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amounts of the loss on the disposal of capital assets. (275)

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

Taxes	11,160	
Intergovernmental	504,104	
Total	515,264	515,264

New capital lease debt obligations in the statement of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (500,000)

Repayments of bond 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. 45,000

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. 11,616

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

Increase in Compensated Absences	(36,443)	
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Total		(36,443)
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Net Change in Net Assets of Governmental Activities (\$647,239)

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget:
	<u>Original Budget</u>	<u>Final Budget</u>		Positive (Negative)
Total Revenues and Other Sources	\$6,737,258	\$7,487,560	\$7,498,793	\$11,233
Total Expenditures and Other Uses	<u>7,533,941</u>	<u>7,790,842</u>	<u>7,775,501</u>	<u>15,341</u>
Net Change in Fund Balance	(796,683)	(303,282)	(276,708)	26,574
Fund Balance, July 1, 2009	4,451,862	4,451,862	4,451,862	0
Prior Year Encumbrances Appropriated	<u>279,832</u>	<u>279,832</u>	<u>279,832</u>	<u>0</u>
Fund Balance, June 30, 2010	<u><u>\$3,935,011</u></u>	<u><u>\$4,428,412</u></u>	<u><u>\$4,454,986</u></u>	<u><u>\$26,574</u></u>

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)
Title I Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original Budget	Final Budget		
Total Revenues and Other Sources	\$1,747,713	\$1,203,095	\$1,203,095	\$0
Total Expenditures and Other Uses	<u>1,756,594</u>	<u>1,211,720</u>	<u>1,182,911</u>	<u>28,809</u>
Net Change in Fund Balance	(8,881)	(8,625)	20,184	28,809
Fund Balance, July 1, 2009	0	0	0	0
Prior Year Encumbrances Appropriated	<u>8,881</u>	<u>8,881</u>	<u>8,881</u>	<u>0</u>
Fund Balance, June 30, 2010	<u><u>\$0</u></u>	<u><u>\$256</u></u>	<u><u>\$29,065</u></u>	<u><u>\$28,809</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, 2010

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$69,839</u>
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<i>Total Assets</i>	<u>69,839</u>
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Liabilities

Current Liabilities:

Claims Payable	<u>7,914</u>
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<i>Total Liabilities</i>	<u>7,914</u>
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Net Assets

Unrestricted	<u><u>\$61,925</u></u>
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See accompanying notes to the basic financial statements.

Western Local School District
*Statement of Revenues, Expenses and
Changes In Net Assets*
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2010

Operating Revenues	
Charges for Services	<u>\$98,814</u>
<i>Total Operating Revenues</i>	<u>98,814</u>
Operating Expenses	
Purchased Services	16,436
Other	350
Claims Expense	<u>70,412</u>
<i>Total Operating Expenses</i>	<u>87,198</u>
Change in Net Assets	11,616
Net Assets at Beginning of Year	<u>50,309</u>
Net Assets at End of Year	<u><u>\$61,925</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, 2010

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Transaction with Other Funds	\$98,814
Cash Payments to Suppliers for Services	(16,786)
Cash Payments for Claims	<u>(69,221)</u>

Net Cash Provided by Operating Activities 12,807

Cash and Cash Equivalents at Beginning of Year 57,032

Cash and Cash Equivalents at End of Year \$69,839

***Reconciliation of Operating Income to Net Cash
Provided by Operating Activities***

Operating Income \$11,616

Changes in Liabilities:

Increase in Claims Payable 1,191

Net Cash Provided by Operating Activities \$12,807

See accompanying notes to the basic financial statements.

Western Local School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$26,268</u>
Total Assets	<u><u>26,268</u></u>
Liabilities	
Undistributed Monies	<u>26,268</u>
Total Liabilities	<u><u>\$26,268</u></u>

See accompanying notes to the basic financial statements.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 68 certificated full-time teaching personnel who provide services to 860 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 14 and 15 to the basic financial statements.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 are the School District's major governmental funds:

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 except those required to be accounted for 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.

Title I Fund

The Title I fund is used to provide financial assistance to State and Local educational agencies to meet the special needs of educationally deprived children. Included are the Even Start and Comprehensive School Reform programs.

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, 2010

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, 2010, but which were levied to finance fiscal year 2011 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, 2010

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.

During fiscal year 2010, 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, 2010.

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 2010 amounted to \$81,043 to the General Fund and \$9,567 to the Non-Major governmental funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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. The School District had \$3,364 in matured compensated absences as of June 30, 2010.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

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.

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 \$1,957,204 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.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 and Title I Fund are 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 reservation of fund balance for governmental fund types (GAAP basis).

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	Title I
GAAP Basis	\$(347,236)	\$(5,893)
Revenue Accruals	(1,801)	18,743
Expenditure Accruals	72,399	45,024
Encumbrances	(295,173)	(37,690)
Budget Basis	\$(571,811)	\$20,184

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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;
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

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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, 2010, the School District's bank balance of \$6,059,595 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, 2010:

	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$190	0

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

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

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

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

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 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 2010 (other than public utility property tax) represents the collection of 2010 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 2010 were levied after April 1, 2009, on the value as of December 31, 2009. 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.

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$36,113,640	91.53%	\$35,879,370	91.48%
Public Utility	3,116,240	7.90%	3,198,840	8.15%
Tangible Personal Property	226,080	0.57%	144,240	0.37%
Total Assessed Value	<u>\$39,455,960</u>	<u>100.00%</u>	<u>\$39,222,450</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.75		\$32.75	

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - PROPERTY TAXES (continued)

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, 2010, are available to finance fiscal year 2010 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, 2010 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, 2010, was \$92,700 in the General Fund and \$12,018 in the Non-Major funds.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes, accrued interest, 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 Funds:	
General Fund	\$27,225
Title I	541,465
Non-major Special Revenue Funds:	
Food Service	34,493
Drug Free Schools	6,180
School Improvement	15,431
Title VI-B	272,987
Title II-A	37,753
Misc. Federal Grants	<u>27,271</u>
Total Non-major Special Revenue Funds	<u>394,115</u>
 Total Governmental Activities	 <u>\$962,805</u>

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 2010, 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 \$27,863,692 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.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 7 - RISK MANAGEMENT (continued)

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the School District of claim payments needed each week. Dominguez Consulting provides an actuarial study each year and advises the School District as to any change needed in premium payments to the internal service fund. The claims liability of \$7,914 reported in the internal service fund at June 30, 2010 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
2009	\$6,113	\$70,102	\$69,492	\$6,723
2010	6,723	70,412	69,221	7,914

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Ending Balance 6/30/09	Additions	Deletions	Ending Balance 6/30/10
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$364,219	\$0	\$0	\$364,219
Construction in Progress	0	412,865	0	412,865
Total Capital Assets, Not Being Depreciated	<u>364,219</u>	<u>412,865</u>	<u>0</u>	<u>777,084</u>
Capital Assets Being Depreciated				
Land Improvements	1,826,809	0	0	1,826,809
Buildings and Improvements	20,178,131	0	0	20,178,131
Furniture and Equipment	664,699	33,593	0	698,292
Vehicles	1,238,121	150,200	0	1,388,321
Library Books and Textbooks	372,384	25,244	(6,600)	391,028
Infrastructure	111,496	0	0	111,496
Total Capital Assets, Being Depreciated	<u>24,391,640</u>	<u>209,037</u>	<u>(6,600)</u>	<u>24,594,077</u>
Less Accumulated Depreciation:				
Land Improvements	(668,280)	(91,616)	0	(759,896)
Buildings and Improvements	(4,643,981)	(632,464)	0	(5,276,445)
Furniture and Equipment	(392,883)	(42,955)	0	(435,838)
Vehicles	(916,549)	(88,515)	0	(1,005,064)
Library Books and Textbooks	(331,709)	(29,084)	6,325	(354,468)
Infrastructure	(10,035)	(2,230)	0	(12,265)
Total Accumulated Depreciation	<u>(6,963,437)</u>	<u>(886,864)</u>	<u>6,325</u>	<u>(7,843,976)</u>
Total Capital Assets Being Depreciated, Net	<u>17,428,203</u>	<u>(677,827)</u>	<u>(275)</u>	<u>16,750,101</u>
Governmental Activities Capital Assets, Net	<u>\$17,792,422</u>	<u>(\$264,962)</u>	<u>(\$275)</u>	<u>\$17,527,185</u>

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$720,179
Special	2,346
Other	4,599
Support Services:	
Instructional Staff	20,202
Administration	3,713
Fiscal	4,187
Operation and Maintenance of Plant	19,422
Pupil Transportation	98,523
Operations of Non-Instructional Services	13,417
Extracurricular Activities	276
Total Depreciation Expense	\$886,864

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 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 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, 2010, 2009, and 2008 were \$178,261, \$111,368, and \$112,286, respectively; 53 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$84,030 represents the unpaid contribution for fiscal year 2010 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, 2010

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, 2010

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, 2010, 2009, and 2008, 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, 2010, 2009, and 2008 were \$467,214, \$473,708, and \$492,057, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. \$78,591 represents the unpaid contribution for fiscal year 2010 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, 2010, 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, 2010, 2009, and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$35,688, \$37,056, and \$37,407 for fiscal years 2010, 2009, and 2008, 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, 2010

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 2010 was \$96.40 for most participants, but could be as high as \$353.60 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 2010, 2009, and 2008, the actuarially required allocation was 0.76 percent, 0.75 percent, and 0.66 percent. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$8,912, \$8,735, and \$7,739, 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, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 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 2010, 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 contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$22,163, \$63,980, and \$60,285, respectively, which is equal to the required amounts for those years.

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 by contacting SERS, 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 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, 2010

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 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Due In One Year
1995 School Improvement General Obligation Bonds - 4.05% to 6.35%	\$620,000	\$0	\$45,000	\$575,000	\$50,000
Capital Lease	0	500,000	0	500,000	33,333
Compensated Absences	253,644	541,074	504,631	290,087	16,811
Total Long-Term Obligations	\$873,644	\$1,041,074	\$549,631	\$1,365,087	\$100,144

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, 2010

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.

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 \$2,955,021 with an unvoted debt margin of \$39,222 at June 30, 2010.

Principal and interest requirements to retire general obligation debt at June 30, 2010, are as follows:

	Principal	Interest	Total
2011	\$ 50,000	\$ 34,725	\$ 84,725
2012	55,000	31,592	86,592
2013	60,000	27,941	87,941
2014	70,000	23,813	93,813
2015	75,000	19,209	94,209
2016-2018	265,000	26,194	291,194
Total:	\$ 575,000	\$ 163,474	\$ 738,474

NOTE 13 – LEASE OBLIGATION

During the current fiscal year, the School District entered into a lease for the installation, construction, and repair of energy conservation improvements. The lease was reported as capital outlay and inception of capital lease (other financing sources) in the basic financial statements for the governmental funds and was capitalized as capital assets in the government-wide financial statements. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$412,865 which is equal to the present value of the minimum lease payments at the time of acquisition less the unexpended cash on these improvements. A liability of \$500,000 was recorded on the statement of net assets for governmental activities. There were no principal payments made in fiscal year 2010. The lease will be paid from the General Fund. The annual requirements to amortize the lease obligation outstanding as of June 30, 2010 are as follows:

	Year Ending June 30	Amount
	2011	\$ 42,033
	2012	42,033
	2013	42,033
	2014	42,033
	2015	42,033
	2016-2020	210,165
	2021-2025	210,170
Total		630,500
Less: Amount Representing Interest		(130,500)
Present Value of Net Minimum Lease Payments		\$ 500,000

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - 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 \$124,493 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 \$300 to the Coalition for services provided during the year.

NOTE 15 - 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 16 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2010.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 17 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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 purchase of textbooks and other instructional materials and an equal amount 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 textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2009	\$0	\$0
Current year set-aside requirement	126,833	126,833
Excess Qualified Expenditures from Prior Years	(201,019)	0
Current year offsets	0	(12,216)
Current Year Qualifying Expenditures	(77,206)	(114,617)
Balance Carried Forward to Fiscal Year 2011	(\$151,392)	\$0
Reserve Balance as of June 30, 2010	\$0	\$0

The School District had excess qualifying disbursements for textbooks from prior years that were used to reduce the textbooks set aside reserve amount in the current year. Excess qualified expenditures for textbooks may be carried forward to future periods. 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, 2010.

NOTE 18 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2010, were as follows:

	Transfer From	Transfer To
Major Fund:		
General	\$40,000	\$0
Non Major Funds:		
EMIS	0	40,000
Total	\$40,000	\$40,000

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 18 – INTERFUND ACTIVITY (continued)

Interfund Advances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

	Receivable	Payable
Major Fund:		
General	\$32,911	\$0
Non Major Funds:		
Title VI-B	0	28,664
Title II-A	0	745
Miscellaneous Federal Grants	0	3,502
Total Non Major Funds	0	32,911
Total	\$32,911	\$32,911

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 19 – ACCOUNTABILITY

At June 30, 2010, the Title I, Management Information Systems, and Miscellaneous Federal Grants Funds had fund balance deficits of \$1,201, \$10,368, and \$91, respectively which were 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 20 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the School District has implemented Governmental Accounting Standard Boards (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

Western Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's basic financial statements.

WESTERN LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2010

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	3L70	10.553	\$87,690	\$0	\$87,690	\$0
National School Lunch Program	3L60	10.555	230,326	31,831	230,326	31,831
School Lunch Equipment ARRA		10.579	16,291	0	16,291	0
<i>Total Nutrition Cluster</i>			<u>334,307</u>	<u>31,831</u>	<u>334,307</u>	<u>31,831</u>
Total U.S. Department of Agriculture			334,307	31,831	334,307	31,831
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	810,240	0	769,754	0
Title I - ARRA Funds		84.389	437,424	0	418,572	0
<i>Total Title I Cluster</i>			<u>1,247,664</u>	<u>0</u>	<u>1,188,326</u>	<u>0</u>
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	3M20	84.027	206,948	0	205,827	0
Title VI-B - ARRA Funds		84.391	89,154	0	117,818	0
<i>Total Special Education Cluster</i>			<u>296,102</u>	<u>0</u>	<u>323,645</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	3D10	84.186	10,405	0	12,887	0
Innovative Educational Program Strategies	3M10	84.298	1,475	0	1,535	0
Technology Literacy Challenge	3S20	84.318	13,049	0	11,083	0
Improving Teacher Quality	3Y60	84.367	98,837	0	99,581	0
Rural Education	3Y80	84.358	6,028	0	24,327	0
State Stabilization Fund - Education State Grant ARRA		84.394	386,079	0	381,392	0
Total U.S. Department of Education			<u>2,059,639</u>	<u>0</u>	<u>2,042,776</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$2,393,946</u>	<u>\$31,831</u>	<u>\$2,377,083</u>	<u>\$31,831</u>

Note 1 - Noncash Federal Financial Assistance

During the year ended June 30, 2010, the District received fair value inventory under the Nutrition Cluster - Food Distribution (Commodities) Program, that is included with 10.555 in the above schedule. Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Donated commodities are used first, and the ending inventory consists of purchased commodities. At June 30, 2010, the District had no significant food commodities inventory.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

**Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards**

Board of Education
Western Local School District
7959 State Route 124
Latham, Ohio 45646

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Local School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2010. 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 Government'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 would not necessarily identify all internal control deficiencies 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.

Western Local School District
Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standard

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 intend this report solely for the information and use of the audit committee, the Board of Education, management, federal awarding agencies and pass-through entities. It is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 21, 2010

**Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

Board of Education
Western Local School District
7959 State Route 124
Latham, Ohio 45646

Compliance

We have audited the compliance of Western Local School District(the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs identifies the District's major federal programs. The 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are apply to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The 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 District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

Western Local School District
Independent Accountant's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

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's compliance requirements 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 the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

December 21, 2010

WESTERN LOCAL SCHOOL DISTRICT
PIKE COUNTY, OHIO
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unqualified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiencies reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	No
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other reportable internal control weaknesses reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
8.	<i>Are there any reportable findings under § .510?</i>	No
9.	<i>Major Programs (list):</i>	Special Education Cluster CFDA # 84.027/84.391 Nutrition Cluster CFDA # 10.553/10.555/10.579 Title I Cluster CFDA#84.010/84.389 Improving Teacher Quality CFDA#84.367 State Fiscal Stabilization Fund CFDA#84.394
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	Yes

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

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Dave Yost • Auditor of State

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
APRIL 7, 2011**