

**WESTERN RESERVE
LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED JUNE 30, 2011**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Education
Western Reserve Local School District
3765 State Route 20
Collins, Ohio 44826

We have reviewed the *Independent Auditor's Report* of the Western Reserve Local School District, Huron County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Reserve 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

February 24, 2012

This page intentionally left blank.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Fund Net Assets - Internal Service Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Fund	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	21
Notes to the Basic Financial Statements.	22-53
Schedule of Expenditures of Federal Awards	54
Notes to the Supplemental Schedule of Expenditures of Federal Awards	55
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	58-59
Schedule of Findings and Questioned Costs	60-63
Status of Prior Citations and Recommendations	64-65
Independent Accountant's Report on Applying Agreed-Upon Procedures	66

This page intentionally left blank.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Western Reserve Local School District
Collins, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Huron County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Western Reserve Local School District, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in the restatement of the July 1, 2010 governmental fund balances and the July 1, 2010 governmental activities net assets were restated as a result of the District's restatement of capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of the Western Reserve Local School District, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Western Reserve Local School District, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2011

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The management's discussion and analysis of the Western Reserve Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$135,958 which represents a 0.85% increase from 2010.
- General revenues accounted for \$10,328,441 in revenue or 74.84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,472,475 or 25.16% of total revenues of \$13,800,916.
- The District had \$13,664,958 in expenses related to governmental activities; \$3,472,475 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,328,441 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$11,142,140 in revenues and \$10,810,296 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$331,844 from a restated balance of \$812,341 to a balance of \$1,144,185.
- The bond retirement fund had \$3,097,978 in revenues and other financing sources and \$3,004,367 in expenditures and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$93,611 from a balance of \$307,831 to a balance of \$401,442.

Using these Basic Financial Statements

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds and only funds reported as major funds.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the 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 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, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual basis of accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-53 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for fiscal years 2011 and 2010. The net assets of the District were restated at June 30, 2010 as described in Note 3.C to the basic financial statements.

	Net Assets	
	Governmental Activities 2011	Restated Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 5,897,860	\$ 4,892,827
Capital assets, net	<u>17,120,699</u>	<u>17,829,909</u>
Total assets	<u>23,018,559</u>	<u>22,722,736</u>
<u>Liabilities</u>		
Current liabilities	3,573,761	3,269,383
Long-term liabilities	<u>3,280,291</u>	<u>3,424,804</u>
Total liabilities	<u>6,854,052</u>	<u>6,694,187</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	14,491,378	15,169,893
Restricted	897,778	702,003
Unrestricted	<u>775,351</u>	<u>156,653</u>
Total net assets	<u>\$ 16,164,507</u>	<u>\$ 16,028,549</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$16,164,507.

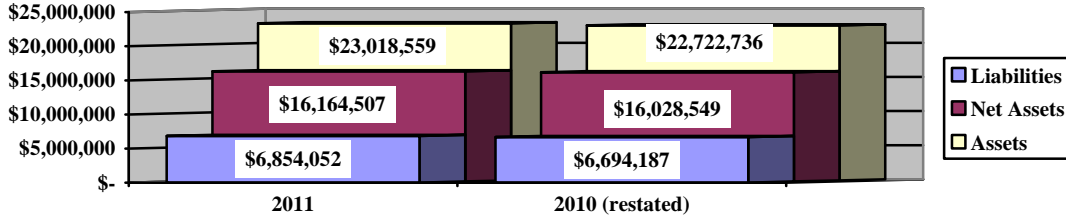
At fiscal year-end, capital assets represented 74.38% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets net of related debt to acquire the assets at June 30, 2011 was \$14,491,378. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

not be used to liquidate these liabilities. A portion of the District's net assets, \$897,778, represents resources that are subject to external restrictions on how they may be used.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,119,562	\$ 1,042,091
Operating grants and contributions	2,352,913	1,431,293
General revenues:		
Property taxes	2,670,268	2,475,698
School district income tax	1,665,263	1,546,735
Grants and entitlements	5,890,813	6,417,271
Investment earnings	15,316	38,279
Other	<u>86,781</u>	<u>73,450</u>
Total revenues	<u>13,800,916</u>	<u>13,024,817</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,915,432	\$ 5,742,268
Special	1,606,666	1,768,303
Vocational	202,152	186,232
Other	296,055	269,621
Support services:		
Pupil	249,057	209,687
Instructional staff	695,470	691,137
Board of education	143,557	79,331
Administration	904,842	906,116
Fiscal	465,629	419,447
Business	28,840	27,852
Operations and maintenance	987,938	1,124,146
Pupil transportation	801,518	675,795
Central	26,462	37,857
Operation of non-instructional services		
Other non-instructional services	302,721	176,300
Food service operations	497,994	477,906
Extracurricular activities	491,152	487,044
Interest and fiscal charges	<u>49,473</u>	<u>171,471</u>
Total expenses	<u>13,664,958</u>	<u>13,450,513</u>
Change in net assets	135,958	(425,696)
Net assets at beginning of year (restated)	<u>16,028,549</u>	<u>16,454,245</u>
Net assets at end of year	<u>\$ 16,164,507</u>	<u>\$ 16,028,549</u>

Governmental Activities

Net assets of the District's governmental activities increased \$135,958. Total governmental expenses of \$13,664,958 were offset by program revenues of \$3,472,475 and general revenues of \$10,328,441. Program revenues supported 25.41% of the total governmental expenses.

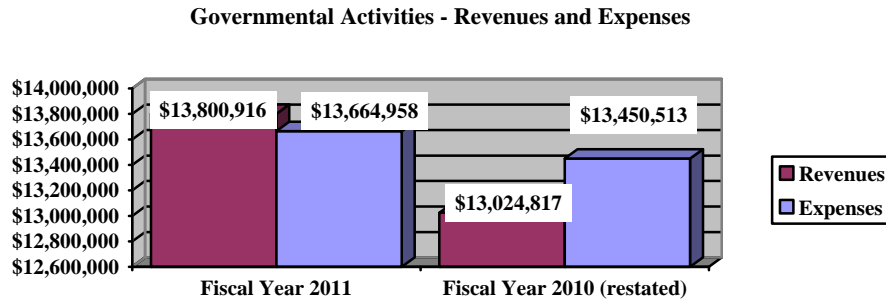
The primary sources of revenue for governmental activities are derived from property and income taxes, and unrestricted grants and entitlements. These revenue sources represent 74.10% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,020,305 or 58.69% of total governmental expenses for fiscal 2011.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2011	2011	2010	2010
Program expenses				
Instruction:				
Regular	\$ 5,915,432	\$ 4,695,534	\$ 5,742,268	\$ 5,053,572
Special	1,606,666	533,037	1,768,303	1,281,248
Vocational	202,152	144,482	186,232	127,461
Other	296,055	296,055	269,621	269,621
Support services:				
Pupil	249,057	244,837	209,687	207,035
Instructional staff	695,470	695,470	691,137	676,472
Board of education	143,557	143,557	79,331	79,331
Administration	904,842	856,724	906,116	856,870
Fiscal	465,629	439,109	419,447	419,447
Business	28,840	1,854	27,852	(93)
Operations and maintenance	987,938	694,967	1,124,146	786,014
Pupil transportation	801,518	778,371	675,795	581,472
Central	26,462	26,462	37,857	37,857
Operation of non-instructional services				
Other non-instructional services	302,721	302,721	176,300	97,770
Food service operations	497,994	25,873	477,906	9,989
Extracurricular activities	491,152	263,957	487,044	321,592
Interest and fiscal charges	49,473	49,473	171,471	171,471
Total expenses	\$ 13,664,958	\$ 10,192,483	\$ 13,450,513	\$ 10,977,129

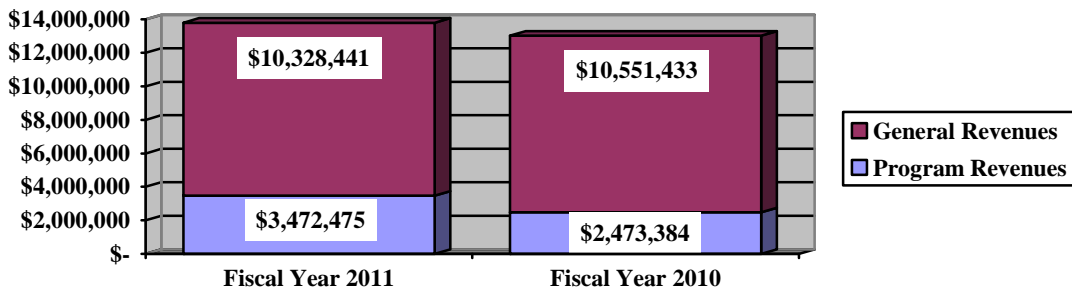
**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 70.68% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.59%. The District's taxpayers along with the State foundation revenues, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,016,541 which is higher than last year's balance of \$1,413,345. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	<u>Increase</u>
General	\$ 1,144,185	\$ 812,341	\$ 331,844
Bond retirement	401,442	307,831	93,611
Other governmental	470,914	293,173	177,741
Total	<u>\$ 2,016,541</u>	<u>\$ 1,413,345</u>	<u>\$ 603,196</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

General Fund

The District's general fund balance increased \$331,844. The following table shows the changes in revenues and expenditures in the general fund from 2011 and 2010.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,001,845	\$ 3,665,322	\$ 336,523	9.18 %
Tuition	585,591	552,747	32,844	5.94 %
Earnings on investments	13,698	35,773	(22,075)	(61.71) %
Intergovernmental	6,360,673	6,432,617	(71,944)	(1.12) %
Other revenues	<u>180,333</u>	<u>182,253</u>	<u>(1,920)</u>	(1.05) %
Total	<u>\$ 11,142,140</u>	<u>\$ 10,868,712</u>	<u>\$ 273,428</u>	2.52 %
<u>Expenditures</u>				
Instruction	\$ 6,461,958	\$ 6,825,200	\$ (363,242)	(5.32) %
Support services	3,734,960	3,724,429	10,531	0.28 %
Non-instructional services	302,721	97,770	204,951	209.63 %
Extracurricular activities	273,203	252,772	20,431	8.08 %
Facilities acquisition and construction	5,462	2,642	2,820	106.74 %
Debt service	<u>31,992</u>	<u>31,992</u>	<u>-</u>	- %
Total	<u>\$ 10,810,296</u>	<u>\$ 10,934,805</u>	<u>\$ (124,509)</u>	(1.14) %

Overall revenues increased \$273,428 or 2.52%. The tax revenue increase of \$336,523 or 9.18% can be attributed to an increase in income tax revenue of \$118,528 as well as an \$84,119 increase in the amount of property taxes available as an advance to the District at year-end. Earnings on investments decreased \$22,075 or 61.71% due to the decrease in interest rates. Expenditures of the general fund decreased \$124,509 or 1.14%. The non-instructional services expenditures increased \$204,951 primarily due to an increase in payments made to community schools during the fiscal year. The decrease in instruction expenditures can be attributed to the decreases in salaries and wages due to the District's efforts to control costs.

Bond Retirement Fund

The bond retirement fund had \$3,097,978 in revenues and other financing sources and \$3,004,367 in expenditures and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$93,611 from a balance of \$307,831 to a balance of \$401,442.

General Fund Budgeting Highlights

The 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.

For the general fund, original and final budgeted revenues and other financing sources were \$10,965,056. The actual revenues and other financing sources for fiscal 2011 were \$10,917,341 which represents a \$47,715 decrease from final budgeted revenues.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)

General fund original appropriations (appropriated expenditures) were \$11,452,126 and decreased \$25,000 for final appropriations of \$11,427,126. The actual budget basis expenditures for fiscal year 2011 totaled \$10,757,529 which is \$669,597 less than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

The District restated capital assets at June 30, 2010 to reflect a capital asset appraisal completed by the District during fiscal year 2011 (see Note 3.C for details). At the end of fiscal 2011, the District had \$17,120,699 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. See Note 8 to the basic financial statements for additional information. The following table shows fiscal year 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	Restated 2010
Land	\$ 292,868	\$ 292,868
Land improvements	216,555	247,699
Building and improvements	15,615,532	16,117,555
Furniture and equipment	629,597	726,985
Vehicles	366,147	444,802
Total	\$ 17,120,699	\$ 17,829,909

The overall decrease in capital assets of \$709,210 is due to depreciation expense of \$759,816 and disposals of \$8,325 (net of accumulated depreciation) exceeding capital outlays of \$58,931 in the fiscal year.

Debt Administration

At June 30, 2011, the District had \$2,552,280 in general obligation bonds outstanding. Of this total, \$190,000 is due within one year and \$2,362,280 is due within greater than one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2011	2010
General obligation bonds	\$ 2,545,000	\$ 2,620,777
Accreted interest	7,280	88,834
Total	\$ 2,552,280	\$ 2,709,611

At June 30, 2011, the District's overall legal debt margin was \$8,954,615 and an unvoted debt margin of \$123,313.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Current Financial Related Activities

Western Reserve Schools have continued to maintain the highest standards of service to our students, parents and the school community throughout the economic adversities faced at the local, state, and national levels.

The District has carefully managed its General Fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed periodically from district residents. The District is committed to living within its financial means and will continue to work diligently to plan expenses, prudently operating within its five-year financial plan.

The State of Ohio has greatly reduced funding programs to local school districts, including ours. Effective with the fiscal year 2012 school year, general fund revenue provided by the State through tax reimbursement and the foundation formula have been reduced in excess of \$433,000 annually. The State of Ohio is currently working through the funding formula for fiscal year 2013 and it is not expected by this district to be a source of increased revenue.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the community's desired needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Brett Robson, Treasurer, Western Reserve Local School District, 3765 U.S. 20 East, Collins, Ohio 44826.

**BASIC
FINANCIAL STATEMENTS**

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 2,355,710
Cash with fiscal agent	2,767
Receivables:	
Property taxes	2,832,724
Income taxes.	598,141
Accrued interest	4,300
Prepayments	23,832
Materials and supplies inventory.	5,367
Unamortized bond issuance costs	75,019
Capital assets:	
Land	292,868
Depreciable capital assets, net.	16,827,831
Capital assets, net	17,120,699
 Total assets.	 23,018,559
 Liabilities:	
Accounts payable.	92,023
Accrued wages and benefits	863,532
Pension obligation payable.	285,042
Intergovernmental payable	99,373
Unearned revenue	2,227,973
Accrued interest payable	5,818
Long-term liabilities:	
Due within one year.	210,839
Due in more than one year.	3,069,452
 Total liabilities	 6,854,052
 Net Assets:	
Invested in capital assets, net of related debt.	14,491,378
Restricted for:	
Capital projects	232,958
Classroom facilities maintenance	64,826
Debt service.	417,167
State funded programs.	232
Federally funded programs	29,412
Student activities	82,937
Other purposes	70,246
Unrestricted	775,351
 Total net assets	 \$ 16,164,507

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 5,915,432	\$ 596,826	\$ 623,072	\$ (4,695,534)
Special	1,606,666	-	1,073,629	(533,037)
Vocational	202,152	-	57,670	(144,482)
Other	296,055	-	-	(296,055)
Support services:				
Pupil.	249,057	-	4,220	(244,837)
Instructional staff	695,470	-	-	(695,470)
Board of education	143,557	-	-	(143,557)
Administration.	904,842	44,084	4,034	(856,724)
Fiscal.	465,629	-	26,520	(439,109)
Business.	28,840	26,986	-	(1,854)
Operations and maintenance	987,938	11,112	281,859	(694,967)
Pupil transportation.	801,518	-	23,147	(778,371)
Central	26,462	-	-	(26,462)
Operation of non-instructional services:				
Other non-instructional services	302,721	-	-	(302,721)
Food service operations	497,994	213,359	258,762	(25,873)
Extracurricular activities.	491,152	227,195	-	(263,957)
Interest and fiscal charges	49,473	-	-	(49,473)
Total governmental activities	<u>\$ 13,664,958</u>	<u>\$ 1,119,562</u>	<u>\$ 2,352,913</u>	<u>(10,192,483)</u>

General Revenues:

Property taxes levied for:	
General purposes	2,347,187
Special revenue.	46,291
Debt service.	276,790
School district income tax	1,665,263
Grants and entitlements not restricted to specific programs	
Investment earnings	5,890,813
Miscellaneous	15,316
	<u>86,781</u>
Total general revenues	<u>10,328,441</u>
Change in net assets	135,958
Net assets at beginning of year.	<u>16,028,549</u>
Net assets at end of year	<u>\$ 16,164,507</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,471,610	\$ 362,521	\$ 499,120	\$ 2,333,251
Cash with fiscal agent.	-	-	2,767	2,767
Receivables:				
Property taxes.	2,494,058	290,043	48,623	2,832,724
Income taxes	598,141	-	-	598,141
Accrued interest	4,300	-	-	4,300
Prepayments.	23,832	-	-	23,832
Materials and supplies inventory.	-	-	5,367	5,367
Restricted assets:				
Equity in pooled cash and cash equivalents	22,459	-	-	22,459
Total assets	<u>\$ 4,614,400</u>	<u>\$ 652,564</u>	<u>\$ 555,877</u>	<u>\$ 5,822,841</u>
Liabilities:				
Accounts payable	\$ 84,633	\$ -	\$ 7,390	\$ 92,023
Accrued wages and benefits.	842,380	-	21,152	863,532
Pension obligation payable	273,966	-	11,076	285,042
Intergovernmental payable	96,126	-	3,247	99,373
Deferred revenue	213,191	21,543	3,623	238,357
Unearned revenue.	1,959,919	229,579	38,475	2,227,973
Total liabilities.	<u>3,470,215</u>	<u>251,122</u>	<u>84,963</u>	<u>3,806,300</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	5,367	5,367
Prepays.	23,832	-	-	23,832
Restricted:				
Debt service	-	401,442	-	401,442
Capital improvements	-	-	232,958	232,958
Classroom facilities maintenance	-	-	61,203	61,203
Food service operations	-	-	59,029	59,029
Special education	-	-	16,122	16,122
Targeted academic assistance	-	-	13,148	13,148
Extracurricular.	-	-	82,937	82,937
Instructional materials	22,459	-	-	22,459
Other purposes.	3,857	-	374	4,231
Assigned:				
Student instruction	4,188	-	-	4,188
Student and staff support.	48,947	-	-	48,947
Public school support	21,788	-	-	21,788
Other purposes.	1,732	-	-	1,732
Unassigned (deficit)	1,017,382	-	(224)	1,017,158
Total fund balances	<u>1,144,185</u>	<u>401,442</u>	<u>470,914</u>	<u>2,016,541</u>
Total liabilities and fund balances	<u>\$ 4,614,400</u>	<u>\$ 652,564</u>	<u>\$ 555,877</u>	<u>\$ 5,822,841</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	2,016,541
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			17,120,699
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	235,944	
Accrued interest receivable		2,413	
Total		<u>238,357</u>	238,357
Unamortized deferred charges are not recognized in the funds			117,119
Unamortized premiums on bond issuances are not recognized in the funds			(192,136)
Unamortized bond issuance costs are not recognized in the funds			75,019
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(5,818)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(643,690)	
General obligation current interest bonds		(2,510,000)	
General obligation capital appreciation bonds		(35,000)	
Accreted interest on capital appreciation bonds		(7,280)	
Capital lease obligation payable		(9,304)	
Total		<u>(3,205,274)</u>	(3,205,274)
Net assets of governmental activities		<u>\$</u>	<u>16,164,507</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,336,582	\$ 278,185	\$ 46,575	\$ 2,661,342
Income taxes	1,665,263	-	-	1,665,263
Tuition	585,591	-	-	585,591
Earnings on investments	13,698	-	1,760	15,458
Charges for services	-	-	213,359	213,359
Extracurricular	44,219	-	227,060	271,279
Classroom materials and fees	26,986	-	-	26,986
Rental income	11,112	-	-	11,112
Other local revenues	98,016	-	-	98,016
Intergovernmental - intermediate	49,569	-	-	49,569
Intergovernmental - state	6,311,104	41,128	70,704	6,422,936
Intergovernmental - federal	-	-	1,771,148	1,771,148
Total revenues	<u>11,142,140</u>	<u>319,313</u>	<u>2,330,606</u>	<u>13,792,059</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,907,269	-	622,121	5,529,390
Special	1,122,984	-	489,704	1,612,688
Vocational	163,791	-	4,008	167,799
Other	267,914	-	-	267,914
Support services:				
Pupil	222,647	-	6,576	229,223
Instructional staff	690,752	-	873	691,625
Board of education	143,557	-	-	143,557
Administration	864,786	-	3,503	868,289
Fiscal	427,765	7,370	27,751	462,886
Business	32,710	-	-	32,710
Operations and maintenance	615,763	-	365,271	981,034
Pupil transportation	710,518	-	-	710,518
Central	26,462	-	-	26,462
Operation of non-instructional services:				
Other non-instructional services	302,721	-	-	302,721
Food service operations	-	-	428,749	428,749
Extracurricular activities	273,203	-	204,309	477,512
Facilities acquisition and construction	5,462	-	-	5,462
Debt service:				
Principal retirement	29,935	75,777	-	105,712
Interest and fiscal charges	2,057	142,555	-	144,612
Bond issuance costs	-	79,519	-	79,519
Total expenditures	<u>10,810,296</u>	<u>305,221</u>	<u>2,152,865</u>	<u>13,268,382</u>
Excess of revenues over expenditures	<u>331,844</u>	<u>14,092</u>	<u>177,741</u>	<u>523,677</u>
Other financing sources (uses):				
Premium on bonds	-	203,665	-	203,665
Sale of bonds	-	2,575,000	-	2,575,000
Payment to refunded bond escrow agent	-	(2,699,146)	-	(2,699,146)
Total other financing sources (uses)	<u>-</u>	<u>79,519</u>	<u>-</u>	<u>79,519</u>
Net change in fund balances	331,844	93,611	177,741	603,196
Fund balances at beginning of year (restated).	812,341	307,831	293,173	1,413,345
Fund balances at end of year.	<u>\$ 1,144,185</u>	<u>\$ 401,442</u>	<u>\$ 470,914</u>	<u>\$ 2,016,541</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	603,196
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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. Depreciation expense exceeds capital outlays in the current period accordingly.		
Capital asset additions	\$ 58,931	
Current year depreciation	<u>(759,816)</u>	
Total		(700,885)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(8,325)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	8,926	
Accrued interest	<u>(69)</u>	
Total		8,857
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		105,712
Issuance of bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
		(2,575,000)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	2,575,000	
Deferred charges on refundings	<u>124,146</u>	
Total		2,699,146
Premiums on bonds and bond issuance costs related to the issuance of bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:		
Premiums on bonds	(203,665)	
Bond issuance costs	<u>79,519</u>	
Total		(124,146)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The lower interest reported in the statement of activities is due to the following:		
Decrease in accrued interest payable	13,583	
Accreted interest on capital appreciation bonds	81,554	
Amortization of bond issuance costs	(4,500)	
Amortization of bond premiums	11,529	
Amortization of deferred charges	<u>(7,027)</u>	
Total		95,139
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>32,264</u>
Change in net assets of governmental activities	\$	<u>135,958</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 2,182,431	\$ 2,182,431	\$ 2,252,463	\$ 70,032
Income taxes.	1,657,725	1,657,725	1,591,662	(66,063)
Tuition.	550,000	550,000	585,591	35,591
Earnings on investments	34,400	34,400	22,744	(11,656)
Extracurricular.	200	200	135	(65)
Other local revenues	85,700	85,700	97,777	12,077
Intergovernmental - intermediate	50,000	50,000	49,569	(431)
Intergovernmental - state	6,394,000	6,394,000	6,307,854	(86,146)
Total revenues	<u>10,954,456</u>	<u>10,954,456</u>	<u>10,907,795</u>	<u>(46,661)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,496,684	5,287,635	4,927,426	360,209
Special.	1,280,688	1,276,647	1,145,000	131,647
Vocational.	165,700	166,180	163,538	2,642
Other.	270,800	266,479	256,437	10,042
Support services:				
Pupil.	219,840	221,578	218,357	3,221
Instructional staff	957,225	695,679	684,585	11,094
Board of education	33,950	141,023	136,829	4,194
Administration.	867,675	865,671	825,408	40,263
Fiscal	227,699	472,021	440,945	31,076
Business	-	2,700	2,656	44
Operations and maintenance.	831,650	679,253	635,994	43,259
Pupil transportation	673,050	740,050	717,414	22,636
Central.	44,000	29,125	26,481	2,644
Operation of non-instructional services	100,000	302,725	302,721	4
Extracurricular activities.	282,165	273,101	266,534	6,567
Facilities acquisition and construction	1,000	7,259	7,204	55
Total expenditures	<u>11,452,126</u>	<u>11,427,126</u>	<u>10,757,529</u>	<u>669,597</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(497,670)</u>	<u>(472,670)</u>	<u>150,266</u>	<u>622,936</u>
Other financing sources:				
Refund of prior year's expenditures	10,000	10,000	9,070	(930)
Sale of capital assets	600	600	476	(124)
Total other financing sources.	<u>10,600</u>	<u>10,600</u>	<u>9,546</u>	<u>(1,054)</u>
Net change in fund balance	(487,070)	(462,070)	159,812	621,882
Fund balance at beginning of year	1,132,304	1,132,304	1,132,304	-
Prior year encumbrances appropriated	52,126	52,126	52,126	-
Fund balance at end of year	<u>\$ 697,360</u>	<u>\$ 722,360</u>	<u>\$ 1,344,242</u>	<u>\$ 621,882</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 61,518	\$ 57,142
Investments	15,266	-
Total assets.	76,784	\$ 57,142
Liabilities:		
Accounts payable.	-	\$ 8,360
Due to students.	-	48,782
Total liabilities	-	\$ 57,142
Net assets:		
Held in trust for scholarships	76,784	
Total net assets	\$ 76,784	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 3,719
Gifts and contributions.	1,749
Total additions.	5,468
Deductions:	
Scholarships awarded	7,947
Change in net assets.	(2,479)
Net assets at beginning of year	79,263
Net assets at end of year.	\$ 76,784

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Western Reserve Local School District (the "District") is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected five-member Board of Education and is responsible for providing public education to the residents of the District.

The District ranks as the 402nd largest by total enrollment among the 918 public and community school districts in the State. It currently operates 4 instructional facilities. The District employs 53 non-certified, 81 certified employees and 9 administrative employees to provide services to approximately 1,305 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of public school districts 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 NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent. During the fiscal year, the District paid NOECA \$26,550 for services. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments consists of school districts representing multiple counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the districts is an administrative charge if they purchase something through the Council. The District paid \$50,646 to the Bay Area Council of Governments in 2011. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors consists of 1 elected representative from each county, and the superintendent of the fiscal agent and 2 non-voting members (administrator and fiscal officer).

Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio, 44870.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by writing to Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of restricted resources and payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 District, available means expected to be received within sixty days of fiscal year end.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2011.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures for the general fund.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2011, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
9. Unencumbered appropriations lapse at fiscal year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's 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 2011, investments were limited to federal agency securities, negotiable certificates of deposit, shares of common stock (see below) and a money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$13,698, which includes \$4,542 assigned from other District funds.

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock to its private-purpose trust fund. No public funds were used to acquire the stock. At June 30, 2011, the common stock value was \$12,986. The amount of common stock available for expenditure is reported in net assets available in trust for scholarships on the statement of fiduciary net assets.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On the fund financial statements inventories are stated at cost and expensed when purchased and cost is determined on a first-in, first-out basis.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 District maintains a capitalization threshold of \$2,500. 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. The District does not possess infrastructure.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 25 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least age fifty with at least ten years of service or any age with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. 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 compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital lease obligations, and contractually required pension obligations are recognized as a liability on the fund financial statements when due.

K. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

L. 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 improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for textbooks/instructional materials and by the food service operations fund (a nonmajor governmental fund). The District had no net assets restricted for enabling legislation.

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

N. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook/instructional materials restricted fund balance. These restricted assets are required by State statute. A schedule of statutory set-asides is presented in Note 17.

Q. Stabilization Arrangement

The Board of Education has \$225,000 of fund balance in the general fund to be used for budget stabilization. The Board has these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

R. 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 basic financial statements.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 788,378	\$ 307,831	\$ 317,136	\$ 1,413,345
Fund reclassifications:				
Special trust fund	1,732	-	(1,732)	-
Uniform school supplies fund	3,045	-	(3,045)	-
Public school support fund	18,151	-	(18,151)	-
Other grant fund	<u>1,035</u>	<u>-</u>	<u>(1,035)</u>	<u>-</u>
Total fund reclassifications	<u>23,963</u>	<u>-</u>	<u>(23,963)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 812,341</u>	<u>\$ 307,831</u>	<u>\$ 293,173</u>	<u>\$ 1,413,345</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Restatement of Net Assets

The District's net assets have been restated to reflect the effects of an appraisal performed for the District's capital assets. The appraisal report, prepared by an independent appraisal company, contains capital assets that were not reported by the District in prior years as well as errors and omissions in the "acquisition cost" of certain capital assets that were previously reported by the District. The District has elected to restate capital asset and accumulated depreciation balances to match this appraisal report. The restatement of capital asset and accumulated depreciation balances to match the appraisal report had the following effect on net assets as previously reported by the governmental activities:

	<u>Governmental Activities</u>
Net assets, June 30, 2010	\$ 15,159,298
Adjustment due to capital asset appraisal	<u>869,251</u>
Restated net assets, July 1, 2010	<u>\$ 16,028,549</u>

See Note 8 for the effect of the change on capital asset and accumulated depreciation balances as previously reported by the District at June 30, 2010.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Improving teacher quality	\$ 224

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the 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 District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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;

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the 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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$37 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Fiscal Agent

At fiscal year-end, the District had \$2,767 in cash and cash equivalents held by the North Point Educational Service Center. This amount is included on the balance sheet as "cash with fiscal agent". The North Point Educational Service Center holds this flow through grant money for the District together with that of other school districts and therefore the District cannot classify this money by risk under GASB Statement No. 40.

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$1,868,197. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,626,847 of the District's bank balance of \$1,930,839 was exposed to custodial risk as discussed below, while \$303,992 was covered by the FDIC.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the District's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Donated stock	\$ 12,986	\$ 12,986	\$ -	\$ -
Money market mutual fund	2,280	2,280	-	-
FHLB	300,363	-	-	300,363
Negotiable cd	204,648	-	102,326	102,322
MBS Cash	<u>101,125</u>	<u>101,125</u>	<u>-</u>	<u>-</u>
	<u>\$ 621,402</u>	<u>\$ 116,391</u>	<u>\$ 102,326</u>	<u>\$ 402,685</u>

The weighted average maturity of investments is 2.68 years.

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy dealing with interest rate risk beyond the requirements of State statute.

Credit Risk: The District's investment in common stock was rated A+ by Standard and Poor's. The District's investments in federal agency securities were rated AAA and Aaa by Standard and Poor's and Moody's Investors Services, respectively. The District's investment policy does not specifically address credit risk beyond adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Donated stock	\$ 12,986	2.09
Money market mutual fund	2,280	0.37
FHLB	300,363	48.33
Negotiable cd	204,648	32.94
MBS Cash	<u>101,125</u>	<u>16.27</u>
Total	<u>\$ 621,402</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 1,868,197	
Investments	621,402	
Cash with fiscal agent	2,767	
Cash on hand	<u>37</u>	
Total	<u>\$ 2,492,403</u>	
 <u>Cash and investments per statement of net assets</u>		
Governmental activities	\$ 2,358,477	
Private-purpose trust funds	76,784	
Agency funds	<u>57,142</u>	
Total	<u>\$ 2,492,403</u>	

NOTE 5 - PROPERTY TAXES

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Huron and Erie County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$323,361 in the general fund, \$38,921 in the bond retirement fund and \$6,525 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$239,242 in the general fund, \$28,929 in the bond retirement fund and \$4,843 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 119,264,950	97.60	\$ 120,025,270	97.33
Public utility personal	<u>2,930,080</u>	<u>2.40</u>	<u>3,287,760</u>	<u>2.67</u>
Total	<u>\$ 122,195,030</u>	<u>100.00</u>	<u>\$ 123,313,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$34.05		\$34.05	

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The voters of the District have passed 2 income tax levies. The first income tax levy was passed in May of 1990 and established a 3/4% income tax effective January 1, 1991, for an indefinite period of time. The second income tax levy was passed in March of 1996 and established an additional 1/2% income tax effective January 1, 1998 for an indefinite period of time. School district income tax revenue received by the general fund during fiscal year 2011 was \$1,665,263.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes and accrued interest. 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 year guarantee of federal funds.

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

Governmental activities:

Property taxes	\$ 2,832,724
Income taxes	598,141
Accrued interest	<u>4,300</u>
Total	<u>\$ 3,435,165</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

As stated in Note 3.C., the District has elected to restate the June 30, 2010 balances of capital assets and accumulated depreciation to match the values reported in an appraisal report that was prepared for the District by an independent appraisal company. The appraisal report contains capital assets that were not reported by the District in prior years as well as errors and omissions in the "acquisition cost" of certain capital assets that were previously reported by the District. The restatement of capital asset and accumulated depreciation balances to match the appraisal report had the following effect on the balances as previously reported as follows:

	Balance 06/30/10	Adjustment	Restated Balance 06/30/10
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 351,793	\$ (58,925)	\$ 292,868
Total capital assets, not being depreciated	351,793	(58,925)	292,868
<i>Capital assets, being depreciated:</i>			
Land improvements	723,192	(37,907)	685,285
Buildings and improvements	21,473,124	943,491	22,416,615
Furniture, fixtures and equipment	3,127,433	1,374,537	4,501,970
Vehicles	1,035,468	6,419	1,041,887
Total capital assets, being depreciated	26,359,217	2,286,540	28,645,757
<i>Less: accumulated depreciation:</i>			
Land improvements	(474,149)	36,563	(437,586)
Buildings and improvements	(6,057,827)	(241,233)	(6,299,060)
Furniture, fixtures and equipment	(2,575,094)	(1,199,891)	(3,774,985)
Vehicles	(643,282)	46,197	(597,085)
Total accumulated depreciation	(9,750,352)	(1,358,364)	(11,108,716)
Governmental activities capital assets, net	\$ 16,960,658	\$ 869,251	\$ 17,829,909

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Restated Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 292,868	\$ -	\$ -	\$ 292,868
Total capital assets, not being depreciated	<u>292,868</u>	<u>-</u>	<u>-</u>	<u>292,868</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	685,285	-	-	685,285
Buildings and improvements	22,416,615	-	-	22,416,615
Furniture and equipment	4,501,970	58,931	(12,900)	4,548,001
Vehicles	1,041,887	-	-	1,041,887
Total capital assets, being depreciated	<u>28,645,757</u>	<u>58,931</u>	<u>(12,900)</u>	<u>28,691,788</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(437,586)	(31,144)	-	(468,730)
Buildings and improvements	(6,299,060)	(502,023)	-	(6,801,083)
Furniture and equipment	(3,774,985)	(147,994)	4,575	(3,918,404)
Vehicles	(597,085)	(78,655)	-	(675,740)
Total accumulated depreciation	<u>(11,108,716)</u>	<u>(759,816)</u>	<u>4,575</u>	<u>(11,863,957)</u>
Governmental activities capital assets, net	<u>\$ 17,829,909</u>	<u>\$ (700,885)</u>	<u>\$ (8,325)</u>	<u>\$ 17,120,699</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 446,073
Special	33,403
Vocational	27,284
<u>Support services:</u>	
Administration	24,911
Operations and maintenance	57,067
Pupil transportation	78,655
Extracurricular activities	32,694
Food service operations	<u>59,729</u>
Total depreciation expense	<u>\$ 759,816</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years the District has entered into capitalized leases for the acquisition of copiers. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The capital lease transaction was accounted for as capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balance of governmental funds. These expenditures are reflected as function expenditures on a budgetary basis.

Capital assets consisting of office equipment have been capitalized in the amount of \$129,193. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011, was \$96,895, leaving a current book value of \$32,298. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$29,935 in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	<u>9,491</u>
Total minimum lease payments	9,491
Less: amount representing interest	<u>(187)</u>
Total	<u>\$ 9,304</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2000, current interest bonds	\$ 2,575,000	\$ -	\$ (2,575,000)	\$ -	\$ -
Series 2000, capital appreciation bonds	45,777	-	(45,777)	-	-
Series 2000, accreted interest	88,834	7,389	(96,223)	-	-
Series 2010, current interest bonds	-	2,540,000	(30,000)	2,510,000	190,000
Series 2010, capital appreciation bonds	-	35,000	-	35,000	-
Series 2010, accreted interest	-	7,280	-	7,280	-
Total general obligation bonds	<u>2,709,611</u>	<u>2,589,669</u>	<u>(2,747,000)</u>	<u>2,552,280</u>	<u>190,000</u>
<u>Other Obligations:</u>					
Compensated absences	675,954	48,127	(80,391)	643,690	11,535
Capital lease obligation	<u>39,239</u>	<u>-</u>	<u>(29,935)</u>	<u>9,304</u>	<u>9,304</u>
Total other obligations	<u>715,193</u>	<u>48,127</u>	<u>(110,326)</u>	<u>652,994</u>	<u>20,839</u>
Total	<u>\$ 3,424,804</u>	<u>\$ 2,637,796</u>	<u>\$ (2,857,326)</u>	<u>\$ 3,205,274</u>	<u>\$ 210,839</u>
Less: deferred charge on refunding				(117,119)	
Add: unamortized premium				<u>192,136</u>	
Total on statement of net assets				<u>\$ 3,280,291</u>	

General Obligation Bonds - During the fiscal year 2001, the District issued general obligation bonds to provide funds for the acquisition, construction and furnishing of new buildings. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. During fiscal year 2011, these bonds were refunded with the Series 2010 Refunding General Obligation Bonds.

Series 2010 Refunding General Obligation Bonds

On October 7, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the Series 2001 current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The balance of the refunded current interest bonds at June 30, 2011, is \$2,575,000.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of both current interest bonds, par value \$2,540,000, and capital appreciation bonds par value \$35,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds mature on December 1, 2016 (effective interest rate 17.07%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing each December 1, 2016 is \$205,000. Total accreted interest of \$7,280 has been included in the statement of net assets at June 30, 2011.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by \$124,146. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments over the next 17 years by 10.73% and resulted in an economic gain of \$423,199.

- B.** Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2012	\$ 190,000	\$ 71,131	\$ 261,131	\$ -	\$ -
2013	180,000	67,431	247,431	-	-	-
2014	180,000	63,831	243,831	-	-	-
2015	185,000	60,181	245,181	-	-	-
2016	190,000	56,431	246,431	-	-	-
2017 - 2021	865,000	393,916	1,258,916	35,000	170,000	205,000
2022 - 2024	720,000	44,000	764,000	-	-	-
Total	<u>\$ 2,510,000</u>	<u>\$ 756,921</u>	<u>\$ 3,266,921</u>	<u>\$ 35,000</u>	<u>\$ 170,000</u>	<u>\$ 205,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$8,954,615 (including available funds of \$401,442) and an unvoted debt margin of \$123,313.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences and Retirement Incentive

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn ten to twenty days of vacation per year, depending on the length of service, and cannot be carried forward. Administrators with 260 day contracts earn twenty days of vacation per year and may carry up to ten days forward (balance never to exceed 30 days). Administrators with less than 260 day contracts are not afforded any vacation time.

Non-Certified Employees

Accumulated unused vacation time is paid to non-certified employees upon termination of employment. Non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave can be accumulated to a maximum of 240 days.

Non-certified employees must have eight or more years of service with the state and/or any political subdivision, three of which must be with the District. Payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 60 days severance pay at the daily rate of the employee. A non-certified employee with twenty-five or more years of service in the District will be paid for 50 percent of the total sick leave accumulation, up to a maximum accumulation of 120 days.

Certified Employees

Accumulated unused vacation time is paid to certified employees upon termination of employment. Teachers do not earn vacation time. Certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave can be accumulated to a maximum of 248 days.

Certified employees must have eight or more years of service with the state and/or any political subdivision, four of which must be with the District. Payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 62 days severance pay at the daily rate of the employee. Certified employees who submit a formal letter of retirement resignation prior to April 1, in their first year of eligibility, will receive a one-time cash payment of \$10,000 in addition to the severance payment the employee is entitled to.

No employees took advantage of the retirement incentive in fiscal year 2011. No liability has been recorded for the retirement incentive payments since no payments were made during the fiscal year.

B. Health Benefits

The District joined together with other area school districts to form the Huron-Erie School Employees Insurance Association, a public entity risk management and employee health benefits program for 14 member school districts (See Note 2.A.). The District pays a monthly premium to the pool for health, life and dental insurance, including prescription coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums, and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$200,000 for any employee.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The 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 2011, the District has contracted with Ohio Casualty to provide general liability, fleet, building and contents coverage.

The District had the following coverages in effect for fiscal year 2011:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ -
Aggregate	2,000,000	-
Fleet:		
Comprehensive	1,000,000	1,000
Collision	1,000,000	1,000
Building and contents	39,602,344	2,500

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2010.

B. Ohio School Boards Association Workers' Compensation Group Rating Program

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the 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. 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.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$151,711, \$162,769 and \$107,324, respectively; 31.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - PENSION PLANS - (Continued)

A DB 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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$664,744, \$665,147 and \$619,638, respectively; 81.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$14,133 made by the District and \$10,095 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$44,737, \$29,995 and \$74,016, respectively; 31.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$9,763, \$9,680 and \$8,855, respectively; 31.06 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$51,134, \$51,165 and \$47,664, respectively; 81.71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported on fair value (GAAP basis) rather than cost (budget basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 159,812
Net adjustment for revenue accruals	160,025
Net adjustment for expenditure accruals	(93,006)
Net adjustment for other sources/uses	(9,546)
Funds budgeted elsewhere	3,414
Adjustment for encumbrances	111,145
GAAP basis	\$ 331,844

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the other grants fund and the public school support fund.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ 5,378	\$ -
Current year set-aside requirement	191,598	191,598
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(174,517)	(91,184)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	(100,414)
Total	<u>\$ 22,459</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ 22,459</u>	<u>\$ -</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - SET-ASIDES - (Continued)

Effective July 1, 2011, the instructional materials set-aside is no longer required and has been removed from existing law. This balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

A schedule of the general fund restricted assets at June 30, 2011 follows:

Amount restricted for instructional materials	\$ <u>22,459</u>
Total restricted cash	\$ <u>22,459</u>

NOTE 18 - DONOR RESTRICTED ENDOWMENTS

The District's private-purpose trust funds consist of donor restricted endowments and realized and unrealized appreciation on investments and is reflected as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 53,706
Nonmajor governmental funds	<u>41,084</u>
Nonmajor governmental funds	<u>\$ 94,790</u>

**WESTERN RESERVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ <i>Pass-Through Grantor/ Program or Cluster Title</i>	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture					
<i>Passed through the State Department of Education</i>					
Child Nutrition Cluster:					
National School Breakfast Program	10.553	\$ 21,795	\$ 0	\$ 21,795	\$ 0
National School Lunch Program - See Note 2	10.555	<u>203,471</u>	<u>27,938</u>	<u>203,471</u>	<u>27,938</u>
Total Child Nutrition Cluster		<u>225,266</u>	<u>27,938</u>	<u>225,266</u>	<u>27,938</u>
Total U.S. Department of Agriculture		<u>225,266</u>	<u>27,938</u>	<u>225,266</u>	<u>27,938</u>
U.S. Department of Education					
<i>Passed through the Ohio Department of Education</i>					
Title I Cluster					
Title I, Grants to Local Educational Agencies, Part A, ESEA - FY 10	84.010	0	0	2,985	0
Title I, Grants to Local Educational Agencies, Part A, ESEA - FY 11	84.010	148,032	0	138,547	0
ARRA - Title I, Grants to Local Educational Agencies, Part A, ESEA, Recovery Act - FY 11	84.389	<u>30,498</u>	<u>0</u>	<u>26,680</u>	<u>0</u>
Total Title I Cluster		<u>178,530</u>	<u>0</u>	<u>168,212</u>	<u>0</u>
Special Education Cluster					
Special Education - Grants to States, IDEA, Part B - FY 11	84.027	281,472	0	281,472	0
ARRA - Special Education - Grants to States, IDEA, Part B, Recovery Act - FY 11	84.391	<u>76,732</u>	<u>0</u>	<u>63,377</u>	<u>0</u>
Total Special Education Cluster		<u>358,204</u>	<u>0</u>	<u>344,849</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants - FY 10	84.186	<u>0</u>	<u>0</u>	<u>873</u>	<u>0</u>
ARRA-Education Technology State Grants, Recovery Act-FY 11	84.386	<u>493</u>	<u>0</u>	<u>351</u>	<u>0</u>
Improving Teacher Quality State Grants, Title II-A - FY 11	84.367	<u>49,595</u>	<u>0</u>	<u>49,595</u>	<u>0</u>
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act	84.394	<u>491,589</u>	<u>0</u>	<u>491,589</u>	<u>0</u>
Education Jobs Fund - FY 11	84.410	<u>346,365</u>	<u>0</u>	<u>346,365</u>	<u>0</u>
Total U.S. Department of Education		<u>1,424,776</u>	<u>0</u>	<u>1,401,834</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$1,650,042</u>	<u>\$ 27,938</u>	<u>\$1,627,100</u>	<u>\$ 27,938</u>

See accompanying notes to Supplemental Schedule of Expenditures of Federal Awards

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTAL SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Reserve Local School District and is presented on the cash basis of accounting. 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 basic financial statements.

NOTE 2: NONCASH SUPPORT

The District receives noncash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

NOTE 3: INTERFUND TRANSFERS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. During fiscal year 2011, the District had no ODE authorized transfers.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Western Reserve Local School District
Collins, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Huron County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the Western Reserve Local School District, Ohio's basic financial statements and have issued our report thereon dated December 21, 2011, wherein we noted that the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and the District restated July 1, 2010 net assets as a result of the District's restatement of capital assets. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Western Reserve Local School District, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Western Reserve Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Western Reserve Local School District, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2011-001** that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Western Reserve Local School District, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Western Reserve Local School District, Ohio, in a separate letter dated December 21, 2011.

Western Reserve Local School District, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Western Reserve Local School District, Ohio's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2011

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Education
Western Reserve Local School District
Collins, Ohio

Compliance

We have audited the Western Reserve Local School District, Huron County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Western Reserve Local School District, Ohio's major federal programs for the year ended June 30, 2011. The Western Reserve Local School District, Ohio's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Western Reserve Local School District, Ohio's management. Our responsibility is to express an opinion on the Western Reserve Local School District, Ohio'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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Western Reserve Local School District, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Western Reserve Local School District, Ohio's compliance with those requirements.

In our opinion, the Western Reserve Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2011-002**.

Internal Control Over Compliance

Management of the Western Reserve Local School District, Ohio, 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 Western Reserve Local School District, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Western Reserve Local School District, Ohio's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2011-002**. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Western Reserve Local School District, Ohio's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Western Reserve Local School District, Ohio's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Education, the District's Audit Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


James G. Zupka, CPA, Inc.

Certified Public Accountants

December 21, 2011

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2011(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	Yes
2011(vii)	Major Programs (list): Special Education Cluster Special Education - Grants to States, IDEA, Part B - CFDA #84.027 ARRA - Special Education - Grants to States, IDEA, Part B, Recovery Act - CFDA #84.391 ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act - CFDA #84.394 Education Jobs Fund - CFDA #84.410	
2011(viii)	Dollar Threshold: Type A\B Program	Type A: \$300,000 or more Type B: All others less than \$300,000
2011(ix)	Low Risk Auditee?	No

WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2011
(CONTINUED)

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

Finding No. 2011-001 - Significant Deficiency - Capital Assets and Sick and Vacation Leave Balances

Statement of Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the financial statements is complete and accurate. We noted the following errors in the financial statements:

- The District incorrectly recorded capital assets. The District did not utilize the appraisal inventory report when recording capital assets for fiscal year 2011. This resulted in a restatement of beginning net assets of \$869,251 and an understatement of fiscal year 2011 accumulated depreciation of \$79,446.
- The District incorrectly calculated the sick leave (severance) liability. The District uses the vesting method based on the sick balances at fiscal year-end of all eligible employees. The District did not use the fiscal year 2011 ending information to calculate the severance liability and improperly included or excluded a few employees. This resulted in the long-term compensated absences liability being overstated by \$38,382.
- The District incorrectly calculated the vacation leave liability, which resulted in the long-term compensated absences liability due within one year being overstated by \$66,060.

Cause/Effect

The District incorrectly recorded capital assets, sick, and vacation liability which resulted in errors on the financial statements.

Recommendation

We recommend that the District implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2011
(CONTINUED)

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

Finding No. 2011-001 - Significant Deficiency - Capital Assets and Sick and Vacation Leave Balances (Continued)

District Responses

Capital Assets - The appraisal report that was updated by Industrial Appraisal was completed but not received or uploaded to our EIS system during the financial statement preparation period. Upon its receipt, it was forwarded to the auditing firm. The report received is reflective of the District's total capital assets for the reporting period of FY 11 and does vary from the last updated information contained in our EIS system which was used to prepare our statements. I do believe, professionally, that this is a timing issue of when data is received, uploaded, and utilized for financial reporting, and not an error in the preparation of the report based on the data available at the time of completion. In future reporting periods, the District will ensure the timeliness and coordination of report preparation and communication between the related parties that compile, prepare, present, and audit the reports.

Sick Leave and Vacation Liability - In this item, it appears that FY 12 data was used at the time of preparation rather than data as of June 30, 2011. This will be addressed in future years as a review item with the preparing firm, in draft form, prior to filing. Consideration is being made to coordinate the timing of efforts between the District, the preparing firm, and the auditing firm, prior to filing, to reduce the potential for reporting errors such as this.

WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & §.505
JUNE 30, 2011
(CONTINUED)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2011-002 - Noncompliance/Significant Deficiency - Cash Management

CFDA Title and Number: CFDA 84.394 - State Fiscal Stabilization Fund, Recovery Act
Funded
Federal Award Year: 2010-2011
Federal Agency: United States Department of Education
Pass-Through Agency: Ohio Department of Education

Condition/Criteria

During our review of the District's State Fiscal Stabilization Fund (SFSF) balances and subsequent monthly expenditures, we noted instances in which monies were not expended in a timely manner (i.e., 30 days). The average balance of the SFSF Fund for the fiscal year was \$31,369.

Cause/Effect

The District did not comply with 34 CFR 80.20(b)(7) which states, in part, that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. State Fiscal Stabilization Fund (SFSF) monies are received in advance by the District through the foundation program as indicated in the Ohio Department of Education (ODE) Pathway to Student Success (PASS) form.

Recommendation

We recommend that the District implement an internal control system designed to ensure advance SFSF payments are expended timely.

District Response

This was an item that was reported in the prior audit and brought to our attention in March 2011 during the exit conference. At that time, it was noted that the same condition would be noted during the FY 11 audit, as we had operated in the same manner for the first 9 months of this fiscal year. Federal funds will be monitored on a monthly basis to help ensure that we don't carry excess funds for periods of times that exceed 30 days.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;
2010-001	Period of Availability of Federal Funds - The District charged \$16,404 for utilities received prior to July 1, 2009, to the 2010 State Fiscal Stabilization Fund grant. There were no pre-award costs authorized for the grant.	Yes	Corrective action taken.
2010-002	Activities Allowed or Unallowed - The District charged \$68,913 in deductions withheld from PASS settlements required by ORC § 3314.08 to the State Fiscal Stabilization Fund - Education State Grants, Recovery Act (Education Stabilization Fund) - CFDA #84.394.	Yes	Correction action taken.
2010-003	Special Education Cluster - Discrepancies were noted between the District's accounting records and amounts reported on the Final Expenditure report. The failure to accurately report program expenditures could allow for funds to be expended contrary to the approved program budget and expenditures. State Software and/or CCIP to correct for this year.	Yes	Corrective action taken.
2010-004	Cash Management - A review of the District's SFSF Fund balances and subsequent monthly expenditures revealed three instances in which monies were not expended in a timely manner (i.e., 30 days). Average fund balance of the SFSF Fund for the fiscal year was \$31,369.	No	Repeated as Item 2011-002.
2010-005	Procurement, Suspension, and Debarment - The District purchased a special education bus and computer hardware that were greater than \$25,000 using IDEA, Part B, ARRA funds. The District did not certify the vendors from which these purchases were made were not suspended or debarred or otherwise excluded. The District should ensure vendors are not suspended, debarred, or otherwise excluded by checking the <i>Excluded Parties List System</i> (http://epls.arnet.gov), obtaining a certification from the vendor, or adding a clause or condition in the contract.	Yes	Corrective action taken.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011
(CONTINUED)**

The prior audit report, as of June 30, 2010, included citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Western Reserve Local School District
3765 St. Rt. 20
Collins, Ohio

To the Board of Education:


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

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

1. We noted the Board amended its anti-harassment policy in January 2011 to include violence within a dating relationship within its definition of harassment, intimidation, or bullying as of year end June 30, 2011. We read the amended policy, noting it now includes all the requirements listed in Ohio Revised Code 3313.666.

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

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


James G. Zupka, CPA, Inc.
Certified Public Accountants

December 21, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

WESTERN RESERVE LOCAL SCHOOL DISTRICT

HURON 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
MARCH 8, 2012