

Western Local School District  
Pike County, Ohio

Single Audit

July 1, 2007 through June 30, 2008  
Fiscal Years Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Western Local School District, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 18, 2008

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**Western Local School District**  
*Pike County, Ohio*

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Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
Western Local School District  
7959 SR 124  
Latham, OH 45646

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Local School District (the School District), Pike County, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

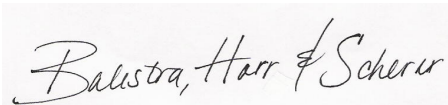
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, there of 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 19, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
October 17, 2008



**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of the Western Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

**Key financial highlights for the fiscal year 2008 are as follows:**

Net assets of governmental activities decreased \$1,278,913.

- General revenues accounted for \$5,973,966 in revenue or 68% of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions, accounted for \$2,885,781 or 32% of total revenues of \$8,859,747.

The School District had \$10,138,660 in expenses related to governmental activities; only \$2,885,781 of these expenses was offset by program specific charges for services and sales, grants, and contributions while the remainder of these expenses was offset by general revenues.

- The School District has one major fund; the General Fund. The General Fund had \$6,782,342 in revenues and \$7,172,911 in expenditures. The General Fund's balance decreased \$474,284.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

*Fund Financial Statements*

The analysis of the School District's major fund begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

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

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

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

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007.

Table 1  
Net Assets

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Current and Other Assets	\$8,415,629	\$8,980,955
Capital Assets	18,673,039	19,215,144
Total Assets	<u>27,088,668</u>	<u>28,196,099</u>
<b>Liabilities</b>		
Long-term Liabilities	1,015,141	1,047,073
Current and Other Liabilities	1,777,733	1,574,319
Total Liabilities	<u>2,792,874</u>	<u>2,621,392</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	18,013,039	18,515,144
Restricted	1,293,458	1,643,978
Unrestricted	4,989,297	5,415,585
Total Net Assets	<u>\$24,295,794</u>	<u>\$25,574,707</u>

Total net assets of the District as a whole decreased \$1,278,913. The decrease to capital assets and net assets is due mainly to current year depreciation. The increase to current and other liabilities is due to an increase in medical and workers compensation liabilities. The District showed a decrease in current and other assets due to increased costs by the District in the current year.

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2008	2007
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$365,669	\$380,394
Operating Grants and Contributions	2,520,112	2,813,034
Total Program Revenues	<u>2,885,781</u>	<u>3,193,428</u>
General Revenues		
Property Taxes	829,289	799,120
Grants and Entitlements	4,841,681	4,795,858
Gifts and Donations	350	355
Investment Earnings	282,023	367,176
Gain on Sale of Capital Assets	4,285	24,988
Miscellaneous	16,338	12,050
Total General Revenues	<u>5,973,966</u>	<u>5,999,547</u>
Total Revenues	<u>8,859,747</u>	<u>9,192,975</u>
<b>Program Expenses</b>		
Instruction:		
Regular	3,658,662	3,495,308
Special	1,344,376	1,251,914
Vocational	0	6,648
Other	644,040	544,519
Support Services:		
Pupil	342,447	329,053
Instructional Staff	558,410	657,396
Board of Education	17,246	19,388
Administration	791,262	706,561
Fiscal	250,939	228,401
Operation and Maintenance of Plant	1,015,067	821,567
Pupil Transportation	735,215	570,654
Central	102,476	105,791
Operation of Non-Instructional Services	376,052	351,095
Extracurricular Activities	177,161	145,377
Intergovernmental	83,367	46,862
Interest and Fiscal Charges	41,940	44,021
Total Expenses	<u>10,138,660</u>	<u>9,324,555</u>
Decrease in Net Assets	(1,278,913)	(131,580)
Net Assets, Beginning of Year	25,574,707	25,706,287
Net Assets, End of Year	<u>\$ 24,295,794</u>	<u>\$ 25,574,707</u>

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Over the past several years, the School District has remained in good financial position. The expenses for the School District have increased from the prior year due to the increase in medical and workers compensation expenses, as well, as the purchase of two buses and a maintenance vehicle. The decrease in operating grants and contributions is due to timing of grant programs.

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

Table 3  
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2008		2007	
Program Expenses				
Instruction:				
Regular	\$3,658,662	\$3,199,427	\$3,495,308	\$2,936,260
Special	1,344,376	475,908	1,251,914	387,564
Vocational	0	0	6,648	6,390
Other	644,040	510,711	544,519	399,396
Support Services:				
Pupil	342,447	297,156	329,053	280,458
Instructional Staff	558,410	313,691	657,396	286,692
Board of Education	17,246	16,715	19,388	18,615
Administration	791,262	683,212	706,561	589,829
Fiscal	250,939	240,334	228,401	218,326
Operation and Maintenance of Plant	1,015,067	959,150	821,567	761,399
Pupil Transportation	735,215	346,888	570,654	174,634
Central	102,476	23,400	105,791	9,896
Operation of Non-Instructional Services	376,052	26,556	351,095	(38,353)
Extracurricular Activities	177,161	112,075	145,377	61,746
Intergovernmental	83,367	16,871	46,862	4,242
Interest and Fiscal Charges	41,940	30,785	44,021	34,033
Total	<u>\$10,138,660</u>	<u>\$7,252,879</u>	<u>\$9,324,555</u>	<u>\$6,131,127</u>

**THE SCHOOL DISTRICT FUNDS**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$8,988,847 and expenditures and other financing uses of \$9,727,053. The School District remains financially stable in terms of healthy carryovers and our ability to pay bills.

The General Fund had a decrease in fund balance of \$474,284. This decrease is due to an increase in expenditures by the School District for the current fiscal year.

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the School District amended its General Fund budget.

For the General Fund, final budgeted revenue was \$6,847,701, below original estimates of \$6,947,926. Of this \$100,225 decrease, most was due to a decrease in the budget for intergovernmental revenue. For the General Fund, appropriations were \$7,268,342, above original estimates of \$6,682,133. This increase was due primarily to an increase in regular instruction and operation and maintenance expenditures.

The School District's ending unobligated General Fund balance was \$5,279,023.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2008, the School District had \$18,673,039 invested in land and land improvements, buildings and improvements, furniture and equipment, vehicles, library and textbooks, and infrastructure. For additional information on capital assets, see Note 8 to the basic financial statements. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$364,219	\$364,219
Land Improvements	1,250,007	1,324,599
Buildings and Improvements	16,166,497	16,665,709
Furniture and Equipment	294,877	294,549
Vehicles	425,955	365,236
Library and Textbooks	67,793	94,911
Infrastructure	103,691	105,921
Totals	\$18,673,039	\$19,215,144

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

**Debt**

At June 30, 2008, the School District had general obligation bonds outstanding of \$660,000. The bonds were issued for school construction. For additional information on debt, see Note 12 to the basic financial statements.

**Western Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

**Western Local School District**  
*Statement of Net Assets*  
*June 30, 2008*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$6,720,646
Accounts Receivable	5,304
Intergovernmental Receivable	337,292
Property Taxes Receivable	1,352,387
Noncurrent Assets:	
Non-Depreciable Capital Assets	364,219
Depreciable Capital Assets, Net	18,308,820
<i>Total Assets</i>	27,088,668
<b>Liabilities</b>	
Accounts Payable	27,159
Accrued Wages and Benefits Payable	626,751
Matured Compensated Absences Payable	15,816
Claims Payable	6,113
Deferred Revenue	869,254
Intergovernmental Payable	232,640
Long-Term Liabilities:	
Due Within One Year	135,281
Due In More Than One Year	879,860
<i>Total Liabilities</i>	2,792,874
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	18,013,039
Restricted for:	
Capital Projects	730,349
Debt Service	337,226
Other Purposes	225,883
Unrestricted	4,989,297
<i>Total Net Assets</i>	\$24,295,794

See accompanying notes to the basic financial statements



**Western Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$3,658,662	\$93,007	\$366,228	(\$3,199,427)
Special	1,344,376	27,332	841,136	(475,908)
Other	644,040	18,434	114,895	(510,711)
Support Services:				
Pupil	342,447	11,182	34,109	(297,156)
Instructional Staff	558,410	9,543	235,176	(313,691)
Board of Education	17,246	531	0	(16,715)
Administration	791,262	25,299	82,751	(683,212)
Fiscal	250,939	9,818	787	(240,334)
Operation and Maintenance of Plant	1,015,067	37,965	17,952	(959,150)
Pupil Transportation	735,215	28,393	359,934	(346,888)
Central	102,476	86	78,990	(23,400)
Operation of Non-Instructional				
Services	376,052	62,259	287,237	(26,556)
Extracurricular Activities	177,161	41,748	23,338	(112,075)
Intergovernmental	83,367	72	66,424	(16,871)
Interest and Fiscal Charges	41,940	0	11,155	(30,785)
<i>Totals</i>	<u>\$10,138,660</u>	<u>\$365,669</u>	<u>\$2,520,112</u>	<u>(7,252,879)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				734,472
Debt Service				80,873
Classroom Facilities Maintenance				13,944
Grants and Entitlements not Restricted to Specific Programs				4,841,681
Gifts and Donations not Restricted to Specific Programs				350
Investment Earnings				282,023
Gain on Sale of Capital Assets				4,285
Miscellaneous				16,338
<i>Total General Revenues</i>				<u>5,973,966</u>
<i>Change in Net Assets</i>				(1,278,913)
<i>Net Assets Beginning of Year</i>				<u>25,574,707</u>
<i>Net Assets End of Year</i>				<u>\$24,295,794</u>

See accompanying notes to the basic financial statements

**Western Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,384,267	\$1,291,461	\$6,675,728
Receivables:			
Property Taxes	1,199,307	153,080	1,352,387
Accounts	5,304	0	5,304
Interfund	48,637	0	48,637
Intergovernmental	0	337,292	337,292
<i>Total Assets</i>	<u>\$6,637,515</u>	<u>\$1,781,833</u>	<u>\$8,419,348</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$24,550	\$2,609	\$27,159
Accrued Wages and Benefits Payable	448,032	178,719	626,751
Interfund Payable	0	48,637	48,637
Matured Compensated Absences Payable	7,908	7,908	15,816
Intergovernmental Payable	175,647	56,993	232,640
Deferred Revenue	1,137,898	325,925	1,463,823
<i>Total Liabilities</i>	<u>1,794,035</u>	<u>620,791</u>	<u>2,414,826</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	80,933	60,330	141,263
Reserved for Property Taxes	59,523	7,799	67,322
Unreserved, Undesignated, Reported in:			
General Fund	4,703,024	0	4,703,024
Special Revenue Funds	0	73,556	73,556
Debt Service Funds	0	290,111	290,111
Capital Projects Funds	0	729,246	729,246
<i>Total Fund Balances</i>	<u>4,843,480</u>	<u>1,161,042</u>	<u>6,004,522</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,637,515</u>	<u>\$1,781,833</u>	<u>\$8,419,348</u>

See accompanying notes to the basic financial statements

**Western Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

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**Total Governmental Fund Balances** \$ 6,004,522

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 18,673,039

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

Taxes	413,694	
Intergovernmental	180,875	

Total		594,569
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An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 38,805

Long-Term Liabilities, including bonds and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(355,141)	
General Obligation Bonds	(660,000)	

Total		(1,015,141)
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**Net Assets of Governmental Activities** \$ 24,295,794

See accompanying notes to the basic financial statements

**Western Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$693,209	\$89,982	\$783,191
Intergovernmental	5,554,447	1,888,073	7,442,520
Interest	253,734	28,289	282,023
Rent	390	0	390
Tuition and Fees	262,728	1,954	264,682
Extracurricular Activities	0	36,416	36,416
Gifts and Donations	350	6,471	6,821
Customer Sales and Services	2,235	61,946	64,181
Miscellaneous	15,249	1,089	16,338
<i>Total Revenues</i>	<u>6,782,342</u>	<u>2,114,220</u>	<u>8,896,562</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,486,114	460,749	2,946,863
Special	724,662	615,857	1,340,519
Other	498,259	145,747	644,006
Support Services:			
Pupil	298,455	43,161	341,616
Instructional Staff	248,150	296,433	544,583
Board of Education	17,246	0	17,246
Administration	696,082	108,870	804,952
Fiscal	263,761	3,485	267,246
Operation and Maintenance of Plant	1,000,775	22,112	1,022,887
Pupil Transportation	762,557	0	762,557
Central	2,166	99,942	102,108
Operation of Non-Instructional Services	342	361,842	362,184
Extracurricular Activities	144,250	30,486	174,736
Intergovernmental	0	83,367	83,367
Capital Outlay	30,092	112,151	142,243
Debt Service:			
Principal	0	40,000	40,000
Interest and Fiscal Charges	0	41,940	41,940
<i>Total Expenditures</i>	<u>7,172,911</u>	<u>2,466,142</u>	<u>9,639,053</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(390,569)</u>	<u>(351,922)</u>	<u>(742,491)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	4,285	0	4,285
Operating Transfers In	0	88,000	88,000
Operating Transfers Out	(88,000)	0	(88,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(83,715)</u>	<u>88,000</u>	<u>4,285</u>
<i>Net Change in Fund Balances</i>	<u>(474,284)</u>	<u>(263,922)</u>	<u>(738,206)</u>
<i>Fund Balances at Beginning of Year</i>	<u>5,317,764</u>	<u>1,424,964</u>	<u>6,742,728</u>
<i>Fund Balances at End of Year</i>	<u>\$4,843,480</u>	<u>\$1,161,042</u>	<u>\$6,004,522</u>

See accompanying notes to the basic financial statements

**Western Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

**Net Change in Fund Balances - Total Governmental Funds** \$ (738,206)

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

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

Capital Asset Additions	349,561	
Current Year Depreciation	(891,666)	
Total	(542,105)	(542,105)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the gain on the disposal of fixed assets and the amount from the proceeds from the sale of capital assets.

Proceeds from Sale of Capital Assets	(4,285)	
Gain on Disposal of Capital Assets	4,285	
Total	-	-

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

Taxes	46,098	
Intergovernmental	(87,198)	
Total	(41,100)	(41,100)

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

40,000

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

10,566

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

Increase in Compensated Absences	(8,068)	
Total	(8,068)	(8,068)

**Net Change in Net Assets of Governmental Activities** \$ (1,278,913)

See accompanying notes to the basic financial statements

**Western Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget and Actual*  
*(Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 6,947,926	\$ 6,847,701	\$ 6,847,435	\$ (266)
Total Expenditures and Other Uses	<u>6,682,133</u>	<u>7,268,342</u>	<u>7,370,447</u>	<u>(102,105)</u>
Net Change in Fund Balance	265,793	(420,641)	(523,012)	(102,371)
Fund Balance, July 1, 2007	5,623,030	5,623,030	5,623,030	0
Prior Year Encumbrances Appropriated	<u>179,005</u>	<u>179,005</u>	<u>179,005</u>	<u>0</u>
Fund Balance, June 30, 2008	<u>\$ 6,067,828</u>	<u>\$ 5,381,394</u>	<u>\$ 5,279,023</u>	<u>\$ (102,371)</u>

See accompanying notes to the basic financial statements

**Western Local School District**  
*Statement of Net Assets*  
*Governmental Activities - Internal Service Fund*  
*June 30, 2008*

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ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,918</u>
<i>Total Assets</i>	<u><u>44,918</u></u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>6,113</u>
<i>Total Liabilities</i>	<u><u>6,113</u></u>
NET ASSETS:	
Unrestricted	<u><u>\$38,805</u></u>

See accompanying notes to the basic financial statements

**Western Local School District**  
*Statement of Revenues, Expenses and  
Changes In Net Assets*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2008*

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Operating Revenues:	
Charges for Services	<u>\$79,312</u>
<i>Total Operating Revenues</i>	<u>79,312</u>
Operating Expenses:	
Purchased Services	6,144
Claims Expense	<u>62,602</u>
<i>Total Operating Expenses</i>	<u>68,746</u>
Change in Net Assets	10,566
Net Assets at Beginning of Year	<u>28,239</u>
Net Assets at End of Year	<u><u>\$38,805</u></u>

See accompanying notes to the basic financial statements



**Western Local School District**  
*Statement of Cash Flows*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2008*

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***Increase (Decrease) in Cash and Cash Equivalents***

*Cash Flows from Operating Activities:*

Cash Received from Transaction with Other Funds	\$79,312
Cash Payments to Suppliers for Services	(6,144)
Cash Payments for Claims	<u>(62,947)</u>

*Net Cash Received from Operating Activities* 10,221

Cash and Cash Equivalents at Beginning of Year 34,697

Cash and Cash Equivalents at End of Year \$44,918

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

Operating Income \$10,566

*Changes in Assets and Liabilities:*

Decrease in Claims Payable (345)

*Net Cash Provided by Operating Activities* \$10,221

See accompanying notes to the basic financial statements

**Western Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2008*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$20,105</u>
<b>Total Assets</b>	<u><u>20,105</u></u>
<b>Liabilities</b>	
Undistributed Monies	<u>20,105</u>
<b>Total Liabilities</b>	<u><u>\$20,105</u></u>

See accompanying notes to the basic financial statements

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1934 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 87 square miles. It is located in Pike County and includes Benton, Mifflin, Pebble, Perry, and Sunfish Townships. It is staffed by 43 non-certificated employees and 68 certificated full-time teaching personnel who provide services to 855 students and other community members.

*Reporting Entity:*

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

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

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

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

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis Of Presentation**

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

**Governmental Funds**

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**General Fund**

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

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

**Proprietary Funds**

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

**Internal Service Fund**

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

**Fiduciary Funds**

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

**Measurement Focus**

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

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**Basis of Accounting**

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

**Revenues-Exchange and Non-exchange Transactions**

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

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

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

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Expenses/Expenditures**

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

**C. Budgetary Process**

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

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

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2008, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2008 amounted to \$253,734 to the General Fund and \$28,289 to the Non-Major governmental funds.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**E. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. It is the School District's policy to capitalize interest incurred during construction.

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

**F. Interfund Activity**

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

**G. Compensated Absences**

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

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

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

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



Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Accrued Liabilities and Long-Term Obligations**

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

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

**I. Fund Balance Reserves**

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

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

**J. Estimates**

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

**K. Net Assets**

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

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

Of the District's \$1,293,458 restricted net assets, \$0 is restricted by enabling legislation.

**L. Interfund Balances**

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

	General
GAAP Basis	\$(474,284)
Revenue Accruals	60,808
Expenditure Accruals	(4,291)
Encumbrances	(105,245)
Budget Basis	<u><u>\$(523,012)</u></u>

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

As of June 30, 2008, the School District's bank balance of \$281,008 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

*Investments:* The School District had the following investments at June 30, 2008:

	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	\$6,650,249	0

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

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

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

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. All of the District's securities are either insured and registered in the name of the District or at least registered in the name of the District.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2008 for real and public utility property taxes represents collections of calendar 2007 taxes. Property tax payments received during calendar 2008 for tangible personal property (other than public utility property) is for calendar 2008 taxes.

2008 real property taxes are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2008 real property taxes are collected in and intended to finance fiscal year 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after April 1, 2008 and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after April 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$33,164,790	89.37%	\$33,332,590	88.07%
Public Utility	3,105,330	8.37%	3,690,760	9.80%
Tangible Personal Property	841,474	2.26%	822,453	2.13%
Total Assessed Value	<u>\$37,111,594</u>	<u>100.00%</u>	<u>\$37,845,803</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$32.75		\$32.75	

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 5 - PROPERTY TAXES** (continued)

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2008 and for which there is an enforceable claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2008, was \$59,523 in the General Fund and \$7,799 in the Non-Major funds.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008, consisted of property taxes, interest, tuition and fees, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Special Revenue Funds:	
Title V	\$799
Drug Free Schools	17,429
Title VI-B	116,203
Title I	134,340
Title II-A	44,679
Misc. Federal Grants	<u>23,842</u>
Total Governmental Activities	<u>\$337,292</u>

**NOTE 7 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with the Ohio School Plan for fleet insurance, liability insurance, and inland marine coverage. Lorbach Insurance Agency provides public official bonds. Total coverage amounted to \$26,160,332 with a \$1,000 deductible.

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

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 7 - RISK MANAGEMENT** (continued)

Dental insurance is offered to employees through a self-insurance internal service fund. Coresource is the School District's third party administrator who informs the District of claim payments needed each week. Dominguez Consulting provides an actuarial study each year and advises the District as to any change needed in premium payments to the internal service fund. The claims liability of \$6,113 reported in the internal service fund at June 30, 2008 is based on an estimate provided by Coresource and the requirements of GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2007	\$6,456	\$60,185	\$60,183	\$6,458
2008	6,458	62,602	62,947	6,113

**NOTE 8 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Ending Balance 6/30/07	Additions	Deletions	Ending Balance 6/30/08
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$364,219	\$0	\$0	\$364,219
Total Capital Assets, Not Being Depreciated	364,219	0	0	364,219
Capital Assets Being Depreciated				
Land Improvements	1,810,469	16,340	0	1,826,809
Buildings and Improvements	20,046,361	131,770	0	20,178,131
Furniture and Equipment	614,978	38,906	(6,580)	647,304
Vehicles	1,170,108	162,545	0	1,332,653
Library Books and Textbooks	372,384	0	0	372,384
Infrastructure	111,496	0	0	111,496
Total Capital Assets, Being Depreciated	24,125,796	349,561	(6,580)	24,468,777
Less Accumulated Depreciation:				
Land Improvements	(485,870)	(90,932)	0	(576,802)
Building and Improvements	(3,380,652)	(630,982)	0	(4,011,634)
Furniture and Equipment	(320,429)	(38,578)	6,580	(352,427)
Vehicles	(804,872)	(101,826)	0	(906,698)
Library Books and Textbooks	(277,473)	(27,118)	0	(304,591)
Infrastructure	(5,575)	(2,230)	0	(7,805)
Total Accumulated Depreciation	(5,274,871)	(891,666)	6,580	(6,159,957)
Total Capital Assets Being Depreciated, Net	18,850,925	(542,105)	0	18,308,820
Governmental Activities Capital Assets, Net	\$19,215,144	(\$542,105)	\$0	\$18,673,039

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 8 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to government functions as follows:

Instruction:	
Regular	\$721,579
Special	1,520
Support Services:	
Instructional Staff	18,638
Administration	756
Fiscal	2,094
Operation and Maintenance of Plant	17,970
Pupil Transportation	113,096
Non-Instructional Services	13,588
Extracurricular Activities	2,425
Total Depreciation Expense	\$891,666

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

*A. School Employees Retirement System*

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.82 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$112,286, \$115,370, and \$109,753, respectively; 48% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$58,861 represents the unpaid contribution for fiscal year 2008.

*B. State Teachers Retirement System*

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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



**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

*B. State Teachers Retirement System* (continued)

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

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$492,057, \$475,436, and \$490,119, respectively; 83% has been contributed for the fiscal year 2008 and 100% for the fiscal year 2007 and 2006. \$83,341 represents the unpaid contribution for fiscal year 2008 and is recorded as a liability within the respective funds.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. The 14 percent employer contribution rate is the maximum rate established under Ohio law. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. For the School District, this amount equaled \$37,407 for fiscal year 2008.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. SERS administers two post-employment benefit plans.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was 0.66 percent. For the School District, contributions for the year ended June 30, 2008 were \$7,739, which equaled the required contributions for the year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$60,285.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

Net health care costs for the year ending June 30, 2007 (the latest information available) were \$127,615,614. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claims costs. The number of participants eligible to receive benefits was 55,818.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**B. Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through United Health Care. The School District has elected to provide employee medical/surgical benefits, vision and prescription drug benefits through United Health Care of Ohio. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**C. Deferred Compensation**

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

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Due In One Year
1995 School Improvement General Obligation Bonds - 4.05% to 6.35%	\$700,000	\$0	\$40,000	\$660,000	\$40,000
Compensated Absences	347,073	355,141	347,073	355,141	95,281
<b>Total Long-Term Obligations</b>	<b>\$1,047,073</b>	<b>\$355,141</b>	<b>\$387,073</b>	<b>\$1,015,141</b>	<b>\$135,281</b>

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 12 - LONG-TERM OBLIGATIONS** (continued)

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

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall legal debt margin was \$2,745,122 with an unvoted debt margin of \$37,846 at June 30, 2008.

Principal and interest requirements to retire general obligation debt at June 30, 2008, are as follows:

		Principal		Interest		Total
2009	\$	40,000	\$	39,720	\$	79,720
2010		45,000		37,361		82,361
2011		50,000		34,725		84,725
2012		55,000		31,592		86,592
2013		60,000		27,941		87,941
2014-2018		410,000		69,214		479,214
Total:	\$	660,000	\$	240,553	\$	900,553

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$84,917 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

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

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (continued)**

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**NOTE 14 - INSURANCE PURCHASING POOL**

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

**NOTE 15 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2007	\$0	\$0
Current year set-aside requirement	123,158	123,158
Current year offsets and Pr. Yr. Carry Over	(199,687)	(203,362)
Qualifying disbursements	(182,926)	(255,408)
Amount Carried Forward to FY 2008	(\$259,455)	(\$335,612)
Reserve Balance as of June 30, 2008	\$0	\$0

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

**NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES (continued)**

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves, these extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

**NOTE 17 – INTERFUND ACTIVITY**

*Interfund Transfers*

Transfers made during the year ended June 30, 2008, were as follows:

	Transfer From	Transfer To
Major Fund:		
General	\$88,000	\$0
Non Major Funds:		
Permanent Improvement	0	10,000
EMIS	0	78,000
Total	\$88,000	\$88,000

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

*Interfund Advances*

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2009 fiscal year:

	Receivable	Payable
Major Fund:		
General	\$48,637	\$0
Non Major Funds:		
Title VI-B	0	27,815
Title I	0	7,254
Misc. Federal Grant	0	12,192
Title II-A	0	1,376
Total	\$48,637	\$48,637

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

**NOTE 18 – ACCOUNTABILITY AND COMPLIANCE**

A. Accountability

At June 30, 2008, the EMIS, Poverty Based Aid, Title I, and Misc. Federal Grant Nonmajor Special Revenue funds had deficit fund balances of \$9,391, \$24,835, \$23,843, and \$9,771, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

At June 30, 2008, several funds had expenditures plus encumbrances in excess of appropriations.

Western Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008

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**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year 2008, the School District implemented GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASB Statement No. 48 establishes criteria that governments use to ascertain whether certain transactions should be regarded as sales or collateralized borrowings, and disclosure requirements for future revenues that are pledged or sold. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.



Western Local School District  
Pike County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
Food Distribution Program	NA	10.550	\$ -	\$ 37,952	\$ -	\$ 37,952
<i>Nutrition Cluster:</i>						
National School Breakfast Program	05PU	10.553	76,738	-	76,738	-
School Lunch Program	LLP4	10.555	<u>207,375</u>	<u>-</u>	<u>207,375</u>	<u>-</u>
<i>Total Nutrition Cluster</i>			<u>284,113</u>	<u>-</u>	<u>284,113</u>	<u>-</u>
<b>Total United States Department of Agriculture - Nutrition Cluster</b>			<u>284,113</u>	<u>37,952</u>	<u>284,113</u>	<u>37,952</u>
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education Grants to States	6BSF	84.027	<u>225,775</u>	<u>-</u>	<u>241,165</u>	<u>-</u>
<i>Total Special Education Cluster</i>			<u>225,775</u>	<u>-</u>	<u>241,165</u>	<u>-</u>
Title I Grants to Local Education Agencies	C1S1	84.010	594,129	-	637,385	-
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	3,276	-	2,404	-
State Grants for Innovative Programs	C2S1	84.298	1,307	-	1,467	-
Education Technology State Grants	TJS1	84.318	3,817	-	5,063	-
Rural Education	RUS1	84.358	17,055	-	35,360	-
Improving Teacher Quality State Grant	TRS1	84.367	90,829	-	88,442	-
Reading First State Grant	RSS1	84.357	<u>9,322</u>	<u>-</u>	<u>21,697</u>	<u>-</u>
<b>Total United States Department of Education</b>			<u>945,510</u>	<u>-</u>	<u>1,032,983</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,229,623</u>	<u>\$ 37,952</u>	<u>\$ 1,317,096</u>	<u>\$ 37,952</u>

N/A = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Expenditures.

**WESTERN LOCAL SCHOOL DISTRICT**  
*Notes to Schedule of Federal Awards Expenditures*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -FOOD DISTRIBUTIONS**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule using the entitlement value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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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***

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Local School District (the School District) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 17, 2008 in which we indicate that the District implemented GASB Statements No. 50, No. 48 and No. 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

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

Members of the Board

Western Local School District

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*

Page 2

**Compliance and Other Matters**

As part of obtaining reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express 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 non-compliance and a certain other matter that we reported to the School District in a separate report dated October 17, 2008.

This report is intended solely for the information and use of the management, members of the Board, 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.



Balestra, Harr & Scherer, CPAs, Inc.  
October 17, 2008

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### **Compliance**

We have audited the compliance of Western Local School District, Pike County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 School District'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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

### **Internal Control Over Compliance**

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of management, the Board of Education, 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.



Balestra, Harr & Scherer, CPAs, Inc.  
October 17, 2008

**WESTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008*

**1. SUMMARY OF AUDITOR' S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any material weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any significant internal control deficiencies reported for major federal programs?	No
(d)(1)(iv)	Were there any material weakness reported for major federal programs?	No
(d)(1)(v)	Type of Major Program' s Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WESTERN LOCAL SCHOOL DISTRICT  
PIKE COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505  
(CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008*

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

**None**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	





**Mary Taylor, CPA**  
Auditor of State

**WESTERN LOCAL SCHOOL DISTRICT**

**PIKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2008**