



Dave Yost • Auditor of State

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2017**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, Ohio, as of June 30, 2017, and the respective changes in financial position thereof and the budgetary comparison for the General thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2018

Western Reserve Local School District
Mahoning County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

This discussion and analysis of Western Reserve Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position decreased by \$543,934.
- Revenues for governmental activities totaled \$8,852,969 in 2017. Of this total, 74 percent consisted of general revenues while program revenues accounted for 26 percent.
- Program expenses totaled \$9,396,903. Instructional expenses made up 55 percent of this total while support services accounted for 33 percent. Other expenses rounded out the remaining 12 percent.
- General revenues totaled \$6,586,934. Of this total, \$3,509,793 or 53 percent was derived from property taxes, \$3,003,093 or 46 percent from state entitlements and grants and \$74,048 or 1 percent was derived from interest and other miscellaneous revenues.
- The general fund balance was \$2,589,012 on a budget basis at fiscal year end, an increase of 22 percent from \$2,122,098 at June 30, 2016.
- The District's total net pension liability increased to \$11,574,128 from \$9,649,558. For more information on this liability see Note 13 to the basic financial statement.

Using this Annual Financial Report

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

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

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Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2017?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Reporting the School District's Fiduciary Responsibilities

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

Western Reserve Local School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2017 compared to 2016:

Net Position (Table 1)			
Governmental Activities			
	2017	2016	Increase (Decrease)
Assets			
Current and Other Assets	\$7,387,629	\$7,010,183	\$377,446
Capital Assets, Net	23,982,646	24,919,278	(936,632)
<i>Total Assets</i>	<u>31,370,275</u>	<u>31,929,461</u>	<u>(559,186)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	834,722	877,437	(42,715)
Pension	2,056,546	961,660	1,094,886
<i>Total Deferred Outflows of Resources</i>	<u>2,891,268</u>	<u>1,839,097</u>	<u>1,052,171</u>
Liabilities			
Current Liabilities	1,170,303	1,190,295	(19,992)
Long-Term Liabilities			
Due within One Year	355,919	441,576	(85,657)
Due in More than One Year:			
Net Pension Liability	11,574,128	9,649,558	1,924,570
Other Amounts	10,719,353	10,911,961	(192,608)
<i>Total Liabilities</i>	<u>23,819,703</u>	<u>22,193,390</u>	<u>1,626,313</u>
Deferred Inflows of Resources			
Property Taxes	3,443,189	3,466,337	(23,148)
Pension	228,024	794,270	(566,246)
<i>Total Deferred Inflows of Resources</i>	<u>3,671,213</u>	<u>4,260,607</u>	<u>(589,394)</u>
Net Position			
Net Investment in Capital Assets	14,511,438	15,046,039	(534,601)
Restricted	717,048	730,839	(13,791)
Unrestricted (Deficit)	(8,457,859)	(8,462,317)	4,458
<i>Total Net Position</i>	<u>\$6,770,627</u>	<u>\$7,314,561</u>	<u>(\$543,934)</u>

Western Reserve Local School District
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Management's Discussion and Analysis
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The net pension liability (NPL) is the largest single liability reported by the District and is reported pursuant to GASB Statement No 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27". For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net pension and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB No. 27 focused on a funding approach. This approach limited pension costs to contributions manually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB No. 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB No. 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the District, part of a bargained-for benefit to the employee, and should accordingly be reported by the District as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the District. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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Management's Discussion and Analysis
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In accordance with GASB No. 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability.

Total assets decreased by \$559,186. The majority of this decrease can be attributed to a decrease in capital assets as current year depreciation exceeded capital outlays.

Total liabilities increased by \$1,626,313 due to an overall increase in the District's net pension liability.

By comparing assets, deferred outflows of resources, liabilities and deferred inflows of resources, one can see the overall position of the School District has decreased as evidenced by the overall decrease in net position of \$543,934. The increase in unrestricted net position of \$4,458 was insignificant.

Table 2 shows the changes in net position for fiscal year 2017 compared to fiscal year 2016.

Table 2
Change in Net Position
Governmental Activities

	2017	2016	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,904,483	\$1,680,163	\$224,320
Operating Grants and Contributions	361,552	369,492	(7,940)
<i>Total Program Revenues</i>	<u>2,266,035</u>	<u>2,049,655</u>	<u>216,380</u>
<i>General Revenues</i>			
Property Taxes	3,509,793	3,531,621	(21,828)
Intergovernmental	3,003,093	2,935,747	67,346
Investment Earnings	9,678	9,880	(202)
Miscellaneous	64,370	157,183	(92,813)
<i>Total General Revenues</i>	<u>6,586,934</u>	<u>6,634,431</u>	<u>(47,497)</u>
<i>Total Revenues</i>	<u>\$8,852,969</u>	<u>\$8,684,086</u>	<u>\$168,883</u>

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Management's Discussion and Analysis
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Table 2 (continued)
Change in Net Position
Governmental Activities

	2017	2016	Change
Program Expenses			
Current:			
Instruction:			
Regular	3,869,639	3,222,990	646,649
Special	1,144,732	893,894	250,838
Vocational	106,202	99,219	6,983
Adult/Continuing	27,734	14,826	12,908
Other	61,918	85,425	(23,507)
Support Services:			
Pupils	381,432	367,614	13,818
Instructional Staff	199,233	355,570	(156,337)
Board of Education	27,108	49,002	(21,894)
Administration	647,888	594,782	53,106
Fiscal	355,530	292,451	63,079
Business	65,943	38,171	27,772
Operation and Maintenance of Plant	811,353	711,296	100,057
Pupil Transportation	512,827	419,865	92,962
Central	57,205	55,194	2,011
Operation of Food Services	360,121	333,288	26,833
Extracurricular Activities	528,329	723,867	(195,538)
Bond Issuance Cost	0	146,054	(146,054)
Interest and Fiscal Charges	239,709	617,566	(377,857)
Total Program Expenses	9,396,903	9,021,074	375,829
Change in Net Position	(543,934)	(336,988)	(206,946)
Net Position Beginning of Year	7,314,561	7,651,549	(336,988)
Net Position End of Year	\$6,770,627	\$7,314,561	(\$543,934)

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five fiscal years. The certified negotiated union contract, effective through fiscal year 2018, includes a 2.0 percent increase in September of 2016, a 2.0 percent increase in September of 2017, and a 1.0 percent increase in September of 2018. The classified employee negotiated contract is effective through fiscal year 2020 and includes a 2.0 percent increase in July of 2017, a 2.0 percent increase in July of 2018, and a 1.0 percent increase in July of 2019. Based on the renewal of all expiring levies and no increase projected from the State in its next budget, the School District will be able to operate without a deficit in the general fund as projected in the School Districts five year forecast until fiscal year 2021.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 55 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 33 percent. The remaining amount of program expenses, 12 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and

Western Reserve Local School District
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Management's Discussion and Analysis
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numerous extracurricular activities.

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

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction	\$5,210,225	\$3,463,320	\$4,316,354	\$2,789,120
Support Services:				
Pupils	381,432	381,432	367,614	367,614
Instructional Staff	199,233	175,784	355,570	330,802
Board of Education	27,108	27,108	49,002	49,002
Administration	647,888	647,888	594,782	594,782
Fiscal	355,530	355,519	292,451	292,451
Business	65,943	65,943	38,171	38,171
Operation and Maintenance of Plant	811,353	787,954	711,296	683,854
Pupil Transportation	512,827	512,827	419,865	419,865
Central	57,205	57,205	55,194	55,194
Operation of Food Services	360,121	75,382	333,288	47,655
Extracurricular Activities	528,329	340,797	723,867	539,289
Bond Issuance Costs	0	0	146,054	146,054
Interest and Fiscal Charges	239,709	239,709	617,566	617,566
<i>Total Expenses</i>	<u>\$9,396,903</u>	<u>\$7,130,868</u>	<u>\$9,021,074</u>	<u>\$6,971,419</u>

The School District's Funds

Information regarding the School District's major funds begins after the statement of activities. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$8,943,923 to offset expenditures, excluding other financing uses, of \$8,512,407. The net change in fund balance for the year was most significant in the general fund, which increased \$534,543. The bond retirement debt service fund increased \$86,832.

As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes and grants and entitlements are the School District's largest revenue sources. They account for approximately 40 and 37 percent of total governmental revenue, respectively, and are a great source of financial support for the students of the Western Reserve Local School District.

Western Reserve Local School District
Mahoning County, Ohio

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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 School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management. The most significant fund to be budgeted is the main operating fund of the School District, the general fund.

For the general fund, actual budget basis revenue nearly matched final budget estimates varying by \$149. Original budget estimates of \$6,781,816 were less than the final budget estimates and actual revenues of \$7,186,315 and \$7,186,464, by \$404,499 and \$404,648, respectively. The variance was due to a conservative estimate at the beginning of the year.

Actual budget basis expenditures of \$6,720,902, including transfers, matched the final budget expenditures. Original budget basis expenditures, including transfers, of \$6,722,737 differed from final budget and actual expenditures by \$1,835. The variance was due to a conservative approach of estimating at the beginning of the year.

Capital Assets and Debt Administration

At the end of fiscal year 2017, the School District had \$23,982,646 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks. Table 4 shows fiscal year 2017 balances compared to fiscal year 2016:

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

	2017	2016
Land	\$48,798	\$48,798
Land Improvements	593,260	697,957
Buildings and Improvements	22,593,970	23,454,363
Furniture and Equipment	430,870	467,975
Vehicles	245,338	171,711
Textbooks	70,410	78,474
<i>Total</i>	\$23,982,646	\$24,919,278

All capital assets, except land, are reported net of depreciation. As one can see, capital assets decreased during the fiscal year by \$936,632 due to capital assets additions of \$190,313 being less than current year depreciation of \$900,629 and net deletions of \$226,316. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Debt

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

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During fiscal year 2016, the District advance refunded all but \$675,000 of these bonds. The refunding bonds were issued in the amount of \$8,860,000, and included an original issue premium of \$1,136,022. The advance refunding resulted in a net present value benefit of \$1,004,440 and an even higher overall cash flow savings for the District.

The refunding Bonds will be repaid over 20 years with principal payment beginning in fiscal year 2017. The following table summarizes the District's outstanding long-term obligations at fiscal year-end, excluding the net pension liability.

Table 5
Outstanding Long-Term Obligations (Excluding Net Pension Liability)

	Governmental Activities	
	2017	2016
2009 Ohio School Facilities Bonds (OSFC), Including Premium	\$397,480	\$693,361
2009 OSFC Capital Appreciation Bonds, Including Accretion	279,889	233,241
2016 Refunding Bonds, Including Premium	9,809,182	9,989,151
Capital Lease	31,104	0
Compensated Absences	557,617	427,784
Early Retirement Incentive	0	10,000
Totals	\$11,075,272	\$11,353,537

The District made all of its scheduled payments during the fiscal year and is scheduled to make payments of \$300,000 and \$20,000 next fiscal year. For more information on the School District's long-term obligations, see Note 17 to the basic financial statements.

School District Outlook

The Western Reserve Local School District has continued to maintain a high level of service to our students, parents and community. The Western Reserve Local School District earned an "Excellent" rating on the State rating scale for eight consecutive years, fiscal year 2002 through fiscal year 2009. In fiscal year 2010 the District earned an "Excellent with Distinction" rating, meeting 26 out of the 26 State indicators. In fiscal years 2011 and 2012, the District again earned an "Excellent" rating. The School District's average cost per pupil is \$9,326, compared to the State average of \$11,164. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are doing everything in their power to make sure tax dollars are being used efficiently and effectively.

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

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

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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 Cathy Romack, Treasurer, Western Reserve Local School District, 13850 Akron-Canfield Road, Berlin Center, Ohio 44401. The Treasurer may also be contacted by phone at 330-547-4100, or by email at cromack@wrls.k12.oh.us.

Western Reserve Local School District

Mahoning County, Ohio

*Statement of Net Position
June 30, 2017*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,644,738
Accounts Receivable	56,040
Property Taxes Receivable	3,605,240
Materials and Supplies Inventory	81,611
Nondepreciable Capital Assets	48,798
Depreciable Capital Assets, Net	23,933,848
<i>Total Assets</i>	<u>31,370,275</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	834,722
Pension:	
STRS	1,651,618
SERS	404,928
<i>Total Deferred Outflows of Resources</i>	<u>2,891,268</u>
Liabilities	
Accounts Payable	32,032
Accrued Wages and Benefits Payable	612,435
Intergovernmental Payable	184,762
Matured Compensated Absences Payable	11,000
Accrued Interest Payable	330,074
Long-Term Liabilities:	
Due Within One Year	355,919
Due In More Than One Year:	
Net Pension Liability (See Note 13)	11,574,128
Other Amounts Due in More than One Year	10,719,353
<i>Total Liabilities</i>	<u>23,819,703</u>
Deferred Inflows of Resources	
Property Taxes	3,443,189
Pension:	
STRS	150,111
SERS	77,913
<i>Total Deferred Inflows of Resources</i>	<u>3,671,213</u>
Net Position	
Net Investment in Capital Assets	14,511,438
Restricted for:	
Capital Projects	213,878
Debt Service	212,576
Other Purposes	223,281
Set-asides	67,313
Unrestricted (Deficit)	(8,457,859)
<i>Total Net Position</i>	<u>\$6,770,627</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2017

	Program Revenues		Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position	
Expenses			Governmental Activities	
Governmental Activities				
Current:				
Instruction:				
Regular	\$3,869,639	\$1,324,027	\$2,496	(\$2,543,116)
Special	1,144,732	185,936	131,993	(826,803)
Vocational	106,202	28,159	0	(78,043)
Adult/Continuing	27,734	0	12,610	(15,124)
Other	61,918	0	61,684	(234)
Support Services:				
Pupils	381,432	0	0	(381,432)
Instructional Staff	199,233	0	23,449	(175,784)
Board of Education	27,108	0	0	(27,108)
Administration	647,888	0	0	(647,888)
Fiscal	355,530	0	11	(355,519)
Business	65,943	0	0	(65,943)
Operation and Maintenance of Plant	811,353	23,399	0	(787,954)
Pupil Transportation	512,827	0	0	(512,827)
Central	57,205	0	0	(57,205)
Operation of Food Services	360,121	162,588	122,151	(75,382)
Extracurricular Activities	528,329	180,374	7,158	(340,797)
Interest and Fiscal Charges	239,709	0	0	(239,709)
Total Governmental Activities	\$9,396,903	\$1,904,483	\$361,552	(7,130,868)
General Revenues				
Property Taxes Levied for:				
				2,669,810
				636,591
				160,137
				43,255
Grants and Entitlements not				
				3,003,093
				9,678
				64,370
Total General Revenues				6,586,934
				(543,934)
				7,314,561
				\$6,770,627

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Balance Sheet
Governmental Funds
June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,599,702	\$511,623	\$466,100	\$3,577,425
Accounts Receivable	55,017	0	1,023	56,040
Property Taxes Receivable	2,741,552	655,749	207,939	3,605,240
Materials and Supplies Inventory	81,611	0	0	81,611
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	67,313	0	0	67,313
<i>Total Assets</i>	<u>\$5,545,195</u>	<u>\$1,167,372</u>	<u>\$675,062</u>	<u>\$7,387,629</u>
Liabilities				
Accounts Payable	\$16,414	\$0	\$15,618	\$32,032
Accrued Wages and Benefits Payable	571,381	0	41,054	612,435
Intergovernmental Payable	170,600	0	14,162	184,762
Matured Compensated Absences Payable	11,000	0	0	11,000
<i>Total Liabilities</i>	<u>769,395</u>	<u>0</u>	<u>70,834</u>	<u>840,229</u>
Deferred Inflows of Resources				
Property Taxes	2,620,025	624,722	198,442	3,443,189
Unavailable Revenue - Property Taxes	90,349	23,570	7,132	121,051
<i>Total Deferred Inflows of Resources</i>	<u>2,710,374</u>	<u>648,292</u>	<u>205,574</u>	<u>3,564,240</u>
Fund Balances				
Nonspendable	81,611	0	0	81,611
Restricted	0	519,080	390,407	909,487
Committed	67,313	0	39,620	106,933
Assigned	306,013	0	0	306,013
Unassigned (Deficit)	1,610,489	0	(31,373)	1,579,116
<i>Total Fund Balances</i>	<u>2,065,426</u>	<u>519,080</u>	<u>398,654</u>	<u>2,983,160</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$5,545,195</u>	<u>\$1,167,372</u>	<u>\$675,062</u>	<u>\$7,387,629</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2017*

Total Governmental Fund Balances	\$2,983,160
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,982,646
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.	
Property Taxes	121,051
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	
STRS	(9,785,799)
SERS	<u>(1,788,329)</u>
Total	(11,574,128)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions:	
STRS	1,651,618
SERS	<u>404,928</u>
Total	2,056,546
Deferred inflows of resources related to pensions:	
STRS	(150,111)
SERS	<u>(77,913)</u>
Total	(228,024)
In the statement of activities, interest is accrued on outstanding general obligation bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.	(330,074)
Certain debt charges reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis.	
Deferred Outflow on Refunded Bonds	834,722
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(9,120,000)
Capital Appreciation Bonds	(68,164)
Accretion on Bonds	(211,725)
Unamortized Premium	(1,086,662)
Capital Lease	(31,104)
Compensated Absences	<u>(557,617)</u>
Total	<u>(11,075,272)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$6,770,627</u></u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,741,989	\$650,521	\$208,237	\$3,600,747
Tuition and Fees	1,538,123	0	0	1,538,123
Interest	9,126	485	67	9,678
Charges for Services	0	0	162,588	162,588
Extracurricular Activities	43,008	0	136,654	179,662
Rentals	24,110	0	0	24,110
Contributions and Donations	8,218	0	18,420	26,638
Intergovernmental	2,867,772	100,740	369,495	3,338,007
Miscellaneous	56,011	0	8,359	64,370
<i>Total Revenues</i>	<u>7,288,357</u>	<u>751,746</u>	<u>903,820</u>	<u>8,943,923</u>
Expenditures				
Current:				
Instruction:				
Regular	3,194,463	0	29,386	3,223,849
Special	874,599	0	152,399	1,026,998
Vocational	93,260	0	0	93,260
Adult/Continuing	0	0	26,573	26,573
Other	0	0	61,918	61,918
Support Services:				
Pupils	342,056	0	0	342,056
Instructional Staff	130,994	0	24,313	155,307
Board of Education	23,288	0	0	23,288
Administration	544,941	0	0	544,941
Fiscal	289,706	13,828	4,427	307,961
Business	10,666	0	61,400	72,066
Operation and Maintenance of Plant	572,926	0	57,790	630,716
Pupil Transportation	371,713	0	161,612	533,325
Central	26,846	0	26,371	53,217
Operation of Food Services	0	0	315,779	315,779
Extracurricular Activities	244,353	0	173,087	417,440
Capital Outlay	0	0	32,627	32,627
Debt Service:				
Principal Retirement	0	415,000	0	415,000
Interest and Fiscal Charges	0	236,086	0	236,086
<i>Total Expenditures</i>	<u>6,719,811</u>	<u>664,914</u>	<u>1,127,682</u>	<u>8,512,407</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>568,546</u>	<u>86,832</u>	<u>(223,862)</u>	<u>431,516</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	14,995	0	0	14,995
Inception of Capital Lease	0	0	39,322	39,322
Transfers In	0	0	48,998	48,998
Transfers Out	(48,998)	0	0	(48,998)
<i>Total Other Financing Sources (Uses)</i>	<u>(34,003)</u>	<u>0</u>	<u>88,320</u>	<u>54,317</u>
<i>Net Change in Fund Balances</i>	534,543	86,832	(135,542)	485,833
<i>Fund Balances Beginning of Year</i>	1,530,883	432,248	534,196	2,497,327
<i>Fund Balances End of Year</i>	<u>\$2,065,426</u>	<u>\$519,080</u>	<u>\$398,654</u>	<u>\$2,983,160</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balances - Total Governmental Funds	\$485,833
 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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Outlay	190,313
Current Year Depreciation	<u>(900,629)</u>
Total	(710,316)
The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net position.	
Assets Disposed	(925,287)
Accumulated Depreciation on Disposals	<u>698,971</u>
Total	(226,316)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(90,954)
Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.	
Inception of Capital Lease	(39,322)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	423,218
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest on Bonds	25,707
Accreted Interest on Bonds	(46,648)
Amortization of Premium	60,850
Amortization of Deferred Charge on Advance Refunding	<u>(42,715)</u>
Total	(2,806)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
Direct pension contributions	
STRS	443,740
SERS	<u>113,917</u>
Total	557,657
Cost of benefits earned net of employee contributions	
STRS	(670,372)
SERS	<u>(150,723)</u>
Total	(821,095)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	(129,833)
Early Retirement Incentive	<u>10,000</u>
Total	<u>(119,833)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>(\$543,934)</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,687,276	\$2,740,709	\$2,740,709	\$0
Tuition and Fees	1,399,585	1,512,951	1,512,951	0
Interest	8,840	9,556	9,695	139
Extracurricular Activities	3,317	3,586	3,586	0
Rentals	22,303	24,110	24,110	0
Contributions and Donations	1,739	1,880	1,880	0
Intergovernmental	2,652,889	2,867,772	2,867,772	0
Miscellaneous	5,867	10,756	10,766	10
<i>Total Revenues</i>	<u>6,781,816</u>	<u>7,171,320</u>	<u>7,171,469</u>	<u>149</u>
Expenditures				
Current:				
Instruction:				
Regular	3,115,273	3,176,777	3,176,777	0
Special	496,002	891,912	891,912	0
Vocational	99,574	93,071	93,071	0
Support Services:				
Pupils	195,712	342,132	342,132	0
Instructional Staff	701,237	133,347	133,347	0
Board of Education	48,171	23,299	23,299	0
Administration	481,025	505,878	505,878	0
Fiscal	278,423	288,511	288,511	0
Operation and Maintenance of Plant	582,591	576,847	576,847	0
Pupil Transportation	396,932	370,402	370,402	0
Central	30,400	26,846	26,846	0
Extracurricular Activities	237,397	238,491	238,491	0
<i>Total Expenditures</i>	<u>6,662,737</u>	<u>6,667,513</u>	<u>6,667,513</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>119,079</u>	<u>503,807</u>	<u>503,956</u>	<u>149</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	14,995	14,995	0
Transfers Out	(60,000)	(53,389)	(53,389)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(60,000)</u>	<u>(38,394)</u>	<u>(38,394)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	59,079	465,413	465,562	149
<i>Fund Balance Beginning of Year</i>	2,122,098	2,122,098	2,122,098	0
<i>Prior Year Encumbrances Appropriated</i>	1,352	1,352	1,352	0
<i>Fund Balance End of Year</i>	<u>\$2,182,529</u>	<u>\$2,588,863</u>	<u>\$2,589,012</u>	<u>\$149</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District

Mahoning County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$27,763</u>
Liabilities	
Due to Students	\$26,304
Undistributed Monies	<u>1,459</u>
<i>Total Liabilities</i>	<u>\$27,763</u>

See accompanying notes to the basic financial statements

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 1 - Description of the School District and Reporting Entity

Western Reserve Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board form of government. The School District is located in Berlin Center, Ohio, Mahoning County. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District's one instructional/support facilities staffed by 27 classified employees, 53 certified employees and 4 administrators who provide services to approximately 700 students and other community members.

Reporting Entity

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

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

B. Fund Accounting

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

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

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

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

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

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources have been reported for a deferred charge on refunding and the following two items related to the School District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School District's contributions to the pension system subsequent to the measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The School District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the School District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

E. Budgetary Data

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

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

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

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. During fiscal year 2017, the School District's investments were limited to repurchase agreements.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$9,126, which includes \$1,244 assigned from other District funds.

G. Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2017, the School District's capitalization threshold was five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Western Reserve Local School District
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For the Fiscal Year Ended June 30, 2017

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 years
Buildings and Improvements	20 - 100 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 20 years
Textbooks	5 years

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. Net Position

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

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

M. Fund Balance

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

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

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

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

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

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

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

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

N. Bond Premium

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

O. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

P. Interfund Balances

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

Q. Interfund Activity

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

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

R. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

S. Estimates

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

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 3 – Change in Accounting Principle

For fiscal year 2017, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68”, Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans”, Statement No. 77, “Tax Abatement Disclosures”, Statement No. 78, “Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans”, Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14”, and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 74 aims to improve the usefulness of information about other postemployment benefits (OPEB) other than pensions, included in general purpose external financial reports of state and local government benefit plans, for making decisions and assessing accountability. GASB Statement No. 75 establishes standards for governmental employer recognition, measurement and presentation of information about OPEB and is closely related to Statement No. 74, but will not be implemented until next fiscal year for the District. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the District.

GASB Statement No. 77 gives users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature of tax abatements will make these transactions more transparent to financial statement users. These changes were incorporated in the District’s fiscal year 2017 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of State or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local government employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 aims to improve financial reporting by clarifying the financial statement presentation requirements for component units that are organized as non-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District’s fiscal year 2017 financial statements; however, there was no effect on beginning net position.

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 4 – Fund Deficits

Fund balances at June 30, 2017 included the following individual fund deficits:

Nonmajor Governmental Funds:	<u>Deficit</u>
Food Service Fund	\$8,388
Emergency Management Information Systems	2,031
IDEA Part B Grant	20,954

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

Note 5 - Budgetary Basis of Accounting

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

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

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

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

Western Reserve Local School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Net Change in Fund Balance	
GAAP Basis	\$534,543
Net Adjustment for Revenue Accruals	(125,904)
Net Adjustment for Expenditure Accruals	75,969
Net Adjustment for Funds Budgeted as Special Revenue	9,016
Adjustment for Encumbrances	<u>(28,062)</u>
Budget Basis	<u><u>\$465,562</u></u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
 6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
 7. The State Treasurer's investment pool (STAROhio);
 8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

At June 30, 2017, the carrying value amount of all the District's deposits was \$1,490,083. Based on the criteria described in GASB Statement No. 40, "Deposits and Investments Risk Disclosures", as of June 30, 2017, \$250,000 of the District's bank balance of \$1,502,369 was exposed to custodial risk as described below, while \$1,252,369 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments

As of June 30, 2017, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$2,182,418	6 Months or Less

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

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

Western Reserve Local School District
Mahoning County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2017:

Investment	Percent of Total
Repurchase Agreements	100.00%

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and Investments per Note Disclosure		Cash and Investments per Statement of Net Position	
Carrying amount of deposits	\$1,490,083	Governmental Activities	\$3,644,738
Investments	2,182,418	Agency Funds	27,763
Total	\$3,672,501		\$3,672,501

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2017 represent collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

The amount available as an advance at June 30, 2017 was \$31,178 in the general fund, \$7,457 in the bond retirement debt service fund, \$1,841 in the permanent improvement capital projects fund and \$524 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Agricultural/Residential and Other Real Estate	\$94,184,030	94.43 %	\$94,265,170	93.92 %
Public Utility Personal	5,553,010	5.57	6,101,210	6.08
Total	<u>\$99,737,040</u>	<u>100.00 %</u>	<u>\$100,366,380</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$52.90		 \$53.20	

Note 8 - Receivables

Receivables at June 30, 2017 consisted of property taxes, accounts (billings for user charged services and student fees), intergovernmental grants, and interest. All receivables except for delinquent property taxes are expected to be collected within one year.

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

Property Taxes	\$3,605,240
Accounts	<u>56,040</u>
Total Receivables	<u><u>\$3,661,280</u></u>

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 9 – Fund Balances

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

Fund Balances	General	Bond Retirement	Nonmajor Governmental	Total
<i>Nonspendable</i>				
Inventory	\$81,611	\$0	\$0	\$81,611
<i>Restricted for</i>				
Classroom Maintenance	0	0	164,162	164,162
Athletics & Music	0	0	19,363	19,363
Special Education	0	0	136	136
Debt Service Payments	0	519,080	0	519,080
Capital Improvements	0	0	206,746	206,746
<i>Total Restricted</i>	<u>0</u>	<u>519,080</u>	<u>390,407</u>	<u>909,487</u>
<i>Committed to</i>				
College Scholarships	0	0	39,620	39,620
Budget Stabilization	67,313	0	0	67,313
<i>Total Committed</i>	<u>67,313</u>	<u>0</u>	<u>39,620</u>	<u>106,933</u>
<i>Assigned to</i>				
Other Purposes	47,572	0	0	47,572
Encumbrances	11,648	0	0	11,648
Subsequent Year Appropriations	246,793	0	0	246,793
<i>Total Assigned</i>	<u>306,013</u>	<u>0</u>	<u>0</u>	<u>306,013</u>
<i>Unassigned (Deficit)</i>	<u>1,610,489</u>	<u>0</u>	<u>(31,373)</u>	<u>1,579,116</u>
<i>Total Fund Balances</i>	<u><u>\$2,065,426</u></u>	<u><u>\$519,080</u></u>	<u><u>\$398,654</u></u>	<u><u>\$2,983,160</u></u>

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$48,798	\$0	\$0	\$48,798
<i>Capital assets being depreciated:</i>				
Land improvements	1,816,476	0	0	1,816,476
Buildings and improvements	28,938,910	0	(314,796)	28,624,114
Furniture, fixtures and equipment	1,337,868	25,101	0	1,362,969
Vehicles	1,166,360	165,212	(610,491)	721,081
Textbooks	704,105	0	0	704,105
<i>Total capital assets being depreciated</i>	<u>33,963,719</u>	<u>190,313</u>	<u>(925,287)</u>	<u>33,228,745</u>
<i>Accumulated depreciation:</i>				
Land improvements	(1,118,519)	(104,697)	0	(1,223,216)
Buildings and improvements	(5,484,547)	(695,126)	149,529	(6,030,144)
Furniture, fixtures and equipment	(869,893)	(62,206)	0	(932,099)
Vehicles	(994,649)	(30,536)	549,442	(475,743)
Textbooks	(625,631)	(8,064)	0	(633,695)
<i>Total accumulated depreciation</i>	<u>(9,093,239)</u>	<u>(900,629) *</u>	<u>698,971</u>	<u>(9,294,897)</u>
Capital assets being depreciated, net	<u>24,870,480</u>	<u>(710,316)</u>	<u>(226,316)</u>	<u>23,933,848</u>
Governmental activities capital assets, net	<u>\$24,919,278</u>	<u>(\$710,316)</u>	<u>(\$226,316)</u>	<u>\$23,982,646</u>

* Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$306,085
Special	78,731
Vocational	8,765
Adult/Continuing	1,161
Support Services:	
Pupil	29,519
Instructional Staff	34,747
Board of Education	3,820
Administration	47,446
Fiscal	24,951
Business	2,912
Operation and Maintenance of Plant	147,965
Pupil Transportation	60,950
Central	4,388
Operation of Food Services	39,459
Extracurricular Activities	109,730
Total Depreciation Expense	<u>\$900,629</u>

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 11 - Jointly Governed Organizations

A. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school districts, and one representative from each of the two city school districts. The students of each participating school district may attend classes offered at the vocational facility. During fiscal year 2017, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio 44406.

B. Area Cooperative Computerized Educational Service System Council of Governments

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

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

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

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

All ACCESS revenues are generated from charges for services and State funding. Each of the members supports the ACCESS Assembly based upon a per pupil charge. The School District paid a monthly fee to ACCESS during fiscal year 2017. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 220, Youngstown, Ohio, 44512.

Note 12 - Risk Management

A. Workers' Compensation

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State

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

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

B. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District joined together with other School Districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool to obtain liability coverage. Each individual school district enters into an agreement with the OSP and its premium is based on the types of coverage and limits of coverage, and deductibles that it selects. During fiscal year 2017, the School District contracted with the Ohio School Plan for various types of significant insurance as follows:

Coverage	Amount	Deductible
Building/Contents Property	\$44,219,345	\$1,000
Flood	1,000,000	25,000
Earthquakes	1,000,000	25,000
Violence - Aggregate	1,000,000	0
Crime	25,000/10,000	1,000
Automobile Liability	3,000,000	1,000
Uninsured Motorists	1,000,000	0
General Liability:		
Per occurrence	4,000,000	n/a
Total per year	6,000,000	n/a
Employers' Liability	4,000,000	n/a
Legal Liability:		
Injury Limit	4,000,000	2,500
Aggregate	6,000,000	0
Fiduciary Liability:		
Claim Limit	4,000,000	2,500
Aggregate	6,000,000	0

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

C. Employee Medical Benefits

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

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and claims. The School District pays medical/surgical premiums of \$1,630 for family coverage, \$582 for single coverage, \$1,223 for employee plus spouse, and \$990 for employee plus child/children per employee per month. The School District pays \$74 for family dental coverage, \$31 for single dental coverage, \$58 for employee plus spouse dental coverage, and \$52 for employee plus child/children dental coverage. The School District also pays vision of \$12 for family, \$4 for single vision coverage, \$8 for employee plus spouse vision coverage and \$7 for employee plus child/children vision coverage per employee per month.

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

Note 13 – Defined Benefits Pension Plans

A. Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

B. School Employees Retirement System

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or Before August 1, 2017*	Eligible to Retire on or After August 1, 2017*
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ending June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution was allocated to the Health Care Fund. The District's contractually required contribution to SERS was \$113,917 for the fiscal year ended June 30, 2017. Of this amount \$70,121 was reported as an intergovernmental payable.

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C. State Teachers Retirement System

Plan Description - District licensed teachers and other faculty members participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation was 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5 percent of the 13 percent member rate goes to the DC plan and the remaining 1.5 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options in the GASB 68 schedules of employer allocations and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017 and subsequent years, the employer rate was 14 percent and the member rate was 14 percent of covered payroll.

The District's contractually required contribution to STRS was \$443,740 for the fiscal year ended June 30, 2017. Of this amount \$76,295 was reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.02588210%	0.02957151%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.02443380%	0.02923489%	
Change in Proportionate Share	-0.00144830%	-0.00033662%	
Proportionate Share of the Net Pension Liability	\$1,788,329	\$9,785,799	\$11,574,128
Pension Expense	\$150,723	\$670,372	\$821,095

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$24,120	\$395,392	\$419,512
Net difference between projected and actual earnings on pension plan investments	147,510	812,486	959,996
Change of Assumptions	119,381	0	119,381
District contributions subsequent to the measurement date	113,917	443,740	557,657
Total Deferred Outflows of Resources	\$404,928	\$1,651,618	\$2,056,546
Deferred Inflows of Resources			
Change in Proportionate Share	\$77,913	\$150,111	\$228,024

\$557,657 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	(\$42,655)	(\$145,462)	(\$188,117)
2019	(42,547)	(145,462)	(188,009)
2020	(85,491)	(457,234)	(542,725)
2021	(42,405)	(309,609)	(352,014)
Total	(\$213,098)	(\$1,057,767)	(\$1,270,865)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.25 Percent
Future Salary Increases, Including Inflation	3.50 Percent to 18.20 Percent
COLA or Ad hoc COLA	3 Percent
Investment Rate of Return	7.50 Percent Net of Investment Expense, Including Inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the

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expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's Proportionate Share of the Net Pension Liability	\$2,367,636	\$1,788,329	\$1,303,424

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Projected Salary Increases	2.75 Percent at Age 70 to 12.25 Percent at Age 20
Investment Rate of Return	7.75 Percent, Net of Investment Expenses, Including Inflation
Cost of Living Adjustments (COLA)	2% Simple Applied as Follows: For Members Retiring Before August 1, 2013, 2% per Year, For Members Retiring August 1, 2013, or later, 2% COLA paid on Fifth Anniversary of Retirement Date.

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Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>*Long-Term Expected Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Fixed Income	18.00	3.75
Alternatives	14.00	8.00
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

*10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50 percent and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's Net Pension Liability is expected to be significant.

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Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's Proportionate Share of the Net Pension Liability	\$13,004,532	\$9,785,799	\$7,070,608

Note 14 – Postemployment Benefits

A. School Employees Retirement System

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

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

Funding policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$12,374.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,374, \$32,130, and \$25,425, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

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B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. None of the School District's contributions were allocated to fund health care for the fiscal years ended June 30, 2017, 2016 or 2015.

Note 15 - Employee Benefits

A. Life Insurance

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

B. Compensated Absences

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

Note 16 - Interfund Transfers

The general fund made two transfers totaling \$48,998 to the district managed student activity fund and the educational management information systems special revenue fund in the amounts of \$22,079 and \$26,919, respectively.

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

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Note 17 - Long-term Obligations

Changes in the School District's long-term obligations during fiscal year 2017 were as follows:

	Outstanding 6/30/16	Additions	Deductions/ Refunded	Outstanding 6/30/17	Amounts due in One Year
General Obligation Bonds:					
<i>2009 Ohio School Facilities Bonds:</i>					
Current Interest Serial Bonds 2.5% - 4.75%	\$675,000	\$0	(\$290,000)	\$385,000	\$235,000
Capital Appreciation Bonds 20.0%	68,164	0	0	68,164	13,281
Accretion on C.A.B.'s	165,077	46,648	0	211,725	51,719
Unamortized Premium on Bonds	18,361	0	(5,881)	12,480	0
Total 2009 Ohio School Facilities Bonds	926,602	46,648	(295,881)	677,369	300,000
<i>2016 Classroom Facilities Refunding Bonds:</i>					
Current Interest Bonds 3.0% - 4.0%	8,860,000	0	(125,000)	8,735,000	20,000
Unamortized Premium on Bonds	1,129,151	0	(54,969)	1,074,182	0
Total Classroom Facilities Refunding Bonds	9,989,151	0	(179,969)	9,809,182	20,000
Total General Obligation Bonds	10,915,753	46,648	(475,850)	10,486,551	320,000
Other Long-Term Obligations:					
Capital Lease	0	39,322	(8,218)	31,104	7,484
Early Retirement Incentive	10,000	0	(10,000)	0	0
Compensated Absences	427,784	146,409	(16,576)	557,617	28,435
Total Other Long-Term Obligations	437,784	185,731	(34,794)	588,721	35,919
Total Before Net Pension Liability:	11,353,537	232,379	(510,644)	11,075,272	355,919
Net Pension Liability:					
STRS	8,172,700	2,075,401	(462,302)	9,785,799	0
SERS	1,476,858	414,293	(102,822)	1,788,329	0
Total Net Pension Liability	9,649,558	2,489,694	(565,124)	11,574,128	0
Total Long-Term Obligations	\$21,003,095	\$2,722,073	(\$1,075,768)	\$22,649,400	\$355,919

On September 16, 2009, the District issued \$11,243,164 in classroom facilities bonds for the construction of new schools. The bonds were issued for a twenty-seven year period, will scheduled to mature on January 1, 2037 and will be paid using tax revenue from the debt service fund. The bond issue included \$6,280,000 in serial bonds with rates ranging from 2.5 to 4.375 percent, \$4,895,000 in term bonds with a rate of 4.75 percent and was issued at a premium of \$158,779. The bonds include capital appreciation bonds of \$68,164 with a rate of 20 percent. This year the addition on these bonds aggregating \$46,648 represents the accretion of discounted interest. The final maturity of these bonds on January 15, 2019 is \$390,000.

On April 11, 2016, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$8,860,000 (par value) with interest rates ranging from 3.0 percent to 4.0 percent to advance refund \$8,865,000 of the 2009 Classroom Facilities Improvement Bonds with rates ranging from 2.5 percent to 4.75 percent. The bonds mature 1/15/2037 and are callable 1/15/2027. The refunding bonds were issued at a premium of \$1,136,022 and, after paying issuance costs of \$146,054, the net proceeds were \$9,849,968. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on 1/15/2019. The advance refunding met the requirements of an in-

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

substance debt defeasance and all but \$743,164 of the 2009 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by approximately \$2 million, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$1,004,440.

Compensated absences will be paid from the general fund and the food service special revenue fund and the early retirement incentive will also be paid from the general fund. The District pays obligations related to employee compensation from the fund benefitting from their service.

The School District's overall legal debt margin was \$3,397,435 with an unvoted debt margin of \$100,366 at June 30, 2017. Principal requirements to retire general obligation debt outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	2009 General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$235,000	\$408,112	\$643,112	\$13,281	\$51,719	\$65,000
2019	0	400,770	400,770	54,883	270,117	325,000
2020	150,000	200,385	350,385	0	0	0
Total	\$385,000	\$1,009,267	\$1,394,267	\$68,164	\$321,836	\$390,000

Fiscal Year Ending June 30,	2016 Classroom Facilities Refunding Bonds					
	Current Interest Bonds			Capital Lease		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$20,000	\$312,050	\$332,050	\$7,484	\$1,551	\$9,035
2019	20,000	311,650	331,650	7,913	1,122	9,035
2020	190,000	311,250	501,250	8,368	667	9,035
2021	360,000	305,550	665,550	7,339	190	7,529
2022	395,000	294,750	689,750	0	0	0
2023 - 2027	2,120,000	1,318,750	3,438,750	0	0	0
2028 - 2032	2,540,000	897,350	3,437,350	0	0	0
2033 - 2037	3,090,000	347,150	3,437,150	0	0	0
Total	\$8,735,000	\$4,098,500	\$12,833,500	\$31,104	\$3,530	\$34,634

Note 18 - Public Entity Risk Pools

A. Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium The School District participates in the Mahoning County Schools Employee Insurance Consortium. This is a shared risk pool comprised of various Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. A member can withdraw from participation in the Consortium by notifying the fiscal agent on or before January 15 of the year preceding the fiscal year in which the School District will withdraw. If the School District withdraws,

Western Reserve Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

no further contribution would be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract. The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.

B. Insurance Purchasing Pools

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

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

Note 19 - Set-Asides

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

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

	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2016	\$0	\$67,313
Current Year Set-Aside Requirement	125,436	0
Current Year Offsets	(242,657)	0
Total	(\$117,221)	\$67,313
Set-Aside Balance Carried Forward to		
Future Fiscal Years	\$0	\$67,313
Cash balance as of June 30, 2017	\$0	\$67,313

Western Reserve Local School District
Mahoning County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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

Note 20 – Capital Lease

During the fiscal year, the District entered into a capitalized lease for two copiers. This lease obligation meets the criteria of a capital lease and has been recorded on the government-wide statements. The copiers have been capitalized in the amount of \$39,322, the present value of the minimum lease payments at the inception of the lease.

The assets acquired through capital leases are as follows:

<i>Assets:</i>	<u>Governmental Activities</u>
Copiers	\$39,322
Less: Accumulated Depreciation	<u>(1,311)</u>
Total Book Value as of June 30, 2017	<u><u>\$38,011</u></u>

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the permanent improvement capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 21 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to legal proceedings as of June 30, 2017.

C. School District Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2017, traditional school district must comply with minimum hours of instruction, instead of a minimum number of school days each year. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by the School District, which can extend past the fiscal year-end. This amount has not been included in the financial statements as it is not material to the financial statements.

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Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio (SERS)
Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.02443380%	0.02588210%	0.02645500%	0.02645500%
School District's Proportionate Share of the Net Pension Liability	\$1,788,329	\$1,476,858	\$1,338,872	\$1,573,194
School District's Covered-Employee Payroll	\$734,443	\$981,252	\$924,033	\$839,672
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	243.49%	150.51%	144.89%	187.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

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

Western Reserve Local School District
Mahoning County, Ohio

Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio (STRS)
Last Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.029234890%	0.029571510%	0.030159360%	0.030159360%
School District's Proportionate Share of the Net Pension Liability	\$9,785,799	\$8,172,700	\$7,335,800	\$8,738,357
School District's Covered-Employee Payroll	\$3,302,160	\$3,149,914	\$3,288,154	\$3,138,770
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	296.35%	259.46%	223.10%	278.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

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

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Western Reserve Local School District
Mahoning County, Ohio

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$113,917	\$102,822	\$129,333	\$128,071
Contributions in Relation to the Contractually Required Contribution	(\$113,917)	(\$102,822)	(\$129,333)	(\$128,071)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$813,693	\$734,443	\$981,282	\$924,033
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	13.86%

2013	2012	2011	2010	2009	2008
\$116,211	\$117,281	\$105,544	\$115,745	\$83,029	\$77,347
(\$116,211)	(\$117,281)	(\$105,544)	(\$115,745)	(\$83,029)	(\$77,347)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$839,672	\$871,975	\$839,657	\$854,838	\$843,794	\$787,648
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

Western Reserve Local School District
Mahoning County, Ohio

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$443,740	\$462,302	\$440,988	\$427,460
Contributions in Relation to the Contractually Required Contribution	(\$443,740)	(\$462,302)	(\$440,988)	(\$427,460)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,169,571	\$3,302,160	\$3,149,914	\$3,288,154
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$408,040	\$402,020	\$422,698	\$423,444	\$404,651	\$392,002
(\$408,040)	(\$402,020)	(\$422,698)	(\$423,444)	(\$404,651)	(\$392,002)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,288,154	\$3,092,460	\$3,251,523	\$3,257,262	\$3,112,700	\$3,015,400
12.41%	13.00%	13.00%	13.00%	13.00%	13.00%

Western Reserve Local School District

Mahoning County, Ohio

*Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2017*

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 through 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2014 through 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 through 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion) on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 8, 2018



Dave Yost • Auditor of State

WESTERN RESERVE LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2018**