



Dave Yost • Auditor of State

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

West Liberty-Salem Local School District
Champaign County
7208 North U.S. Highway 68
West Liberty, Ohio 43357

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

December 19, 2012

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- In total, net assets of governmental activities decreased \$1,738,520 which represents a 30.14% decrease from 2011.
- General revenues accounted for \$9,064,513 or 74.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,058,397 or 25.23% of total revenues of \$12,122,910.
- The District had \$13,861,430 in expenses related to governmental activities; \$3,058,397 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,064,513 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$10,901,094 in revenues and \$12,173,983 in expenditures and other financing uses. During fiscal year 2012, the general fund's fund balance decreased \$1,272,889 from a balance of \$1,499,905 to \$227,016.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-45 of this report.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The District as a Whole

The table below provides a summary of the District's net assets for 2012 and 2011.

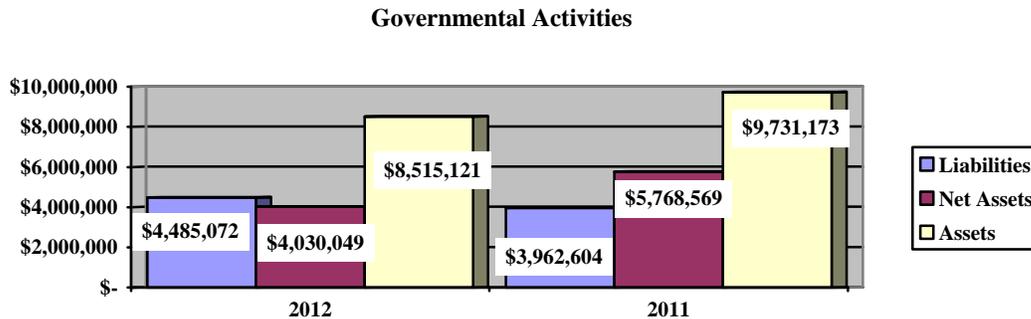
Net Assets		
	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Current and other assets	\$4,843,166	\$5,627,191
Capital assets, net	3,671,955	4,103,982
Total assets	<u>8,515,121</u>	<u>9,731,173</u>
Liabilities:		
Current liabilities	3,720,066	3,181,726
Long-term liabilities	765,006	780,878
Total liabilities	<u>4,485,072</u>	<u>3,962,604</u>
Net Assets:		
Invested in capital assets, net of related debt	3,659,941	4,072,169
Restricted	529,391	650,611
Unrestricted (deficit)	(159,283)	1,045,789
Total net assets	<u>\$4,030,049</u>	<u>\$5,768,569</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$4,030,049.

At year-end, capital assets represented 43.12% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$3,659,941. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$529,391 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$159,283.

The graph below illustrates the District's assets, liabilities and net assets as reported on the Statement of Net Assets at June 30, 2012 and 2011:



**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The table below shows the change in net assets for fiscal year 2012 and 2011:

Change in Net Assets		
	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program revenues:		
Charges for services and sales	\$ 1,893,195	\$ 1,653,869
Operating grants and contributions	1,165,202	2,134,393
General revenues:		
Property taxes	1,694,760	2,870,182
Income taxes	1,816,024	1,598,845
Grants and entitlements	5,419,100	5,321,511
Investment earnings	5,871	26,719
Other	128,758	121,057
Total revenues	\$12,122,910	\$13,726,576

The decrease in operating grants and contributions is due to a decrease in federal grant revenue from the funds education jobs, IDEA Part B and education stabilization. The decrease in property taxes was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. There was an approximate decrease of \$630,000 of tax advance that was available to the District from the County Auditor at June 30, 2012. This variance resulted in more tax revenue being reported in fiscal year 2011 compared to 2012. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed.

Change in Net Assets		
	Governmental Activities 2012	Governmental Activities 2011
Expenses:		
Program expenses:		
Instruction:		
Regular	\$5,022,444	\$5,338,769
Special	2,420,024	1,954,611
Vocational	182,486	182,442
Other	433,060	437,406
Support services:		
Pupil	599,876	827,324
Instructional staff	596,256	641,204
Board of education	103,064	129,706
Administration	836,811	828,253
Fiscal	430,263	405,019
Business	823	894
Operations and maintenance	1,009,023	1,032,909
Pupil transportation	824,513	736,277
Central	261,036	293,134
		(Continued)

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

**Change in Net Assets
(Continued)**

	Governmental Activities 2012	Governmental Activities 2011
Operation of non-instructional services:		
Food service operations	550,885	498,571
Other non-instructional services	5,503	6,617
Extracurricular activities	584,202	601,726
Interest and fiscal charges	1,161	2,875
Total expenses	13,861,430	13,917,737
Change in net assets	(1,738,520)	(191,161)
Net assets at beginning of year	5,768,569	5,959,730
Net assets at end of year	\$4,030,049	\$5,768,569

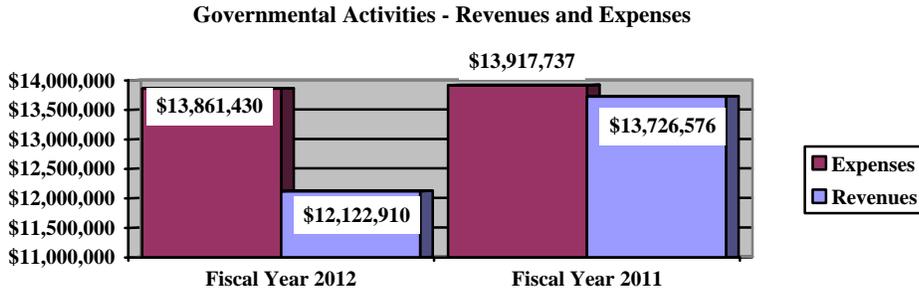
Governmental Activities

Net assets of the District's governmental activities decreased \$1,738,520. Total governmental expenses of \$13,861,430 were offset by program revenues of \$3,058,397 and general revenues of \$9,064,513. Program revenues supported 22.06% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 73.66% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,058,014 or 58.13% of total governmental expenses for fiscal 2012. The decrease to regular instruction can be attributed to a decrease activity related to the education jobs grant.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.



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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

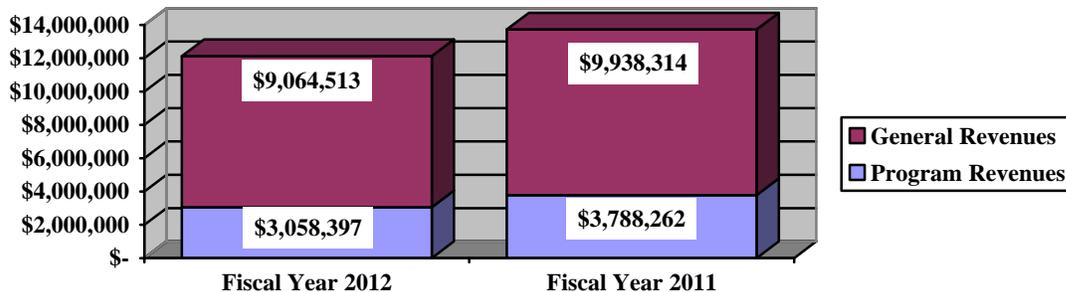
Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 5,022,444	\$ 4,238,581	\$ 5,338,769	\$ 4,148,354
Special	2,420,024	1,157,623	1,954,611	733,838
Vocational	182,486	143,709	182,442	143,665
Other	433,060	433,060	437,406	437,406
Support services:				
Pupil	599,876	366,679	827,324	314,699
Instructional staff	596,256	596,256	641,204	601,461
Board of education	103,064	103,064	129,706	129,706
Administration	836,811	836,811	828,253	723,797
Fiscal	430,263	430,263	405,019	405,019
Business	823	823	894	894
Operations and maintenance	1,009,023	1,009,023	1,032,909	1,031,007
Pupil transportation	824,513	785,763	736,277	696,866
Central	261,036	261,036	293,134	293,134
Operation of non-instructional services:				
Food service operations	550,885	48,720	498,571	28,430
Other non-instructional services	5,503	1,903	6,617	2,067
Extracurricular activities	584,202	388,558	601,726	436,257
Interest and fiscal charges	1,161	1,161	2,875	2,875
Total expenses	\$13,861,430	\$10,803,033	\$13,917,737	\$10,129,475

The dependence upon tax and other general revenues for governmental activities is apparent, 74.12% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.94%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2012 and 2011:

Governmental Activities - General and Program Revenues



**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$775,020, which is lower than last year's total of \$2,175,684. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Decrease	Percentage Change
General	\$227,016	\$1,499,905	(\$1,272,889)	(84.86) %
Other Governmental	548,004	675,779	(127,775)	(18.91) %
Total	<u>\$775,020</u>	<u>\$2,175,684</u>	<u>(\$1,400,664)</u>	(64.38) %

General Fund

The District's general fund's fund balance decreased \$1,272,889. Tax revenue decreased \$861,143 from the prior year. The decrease in property taxes was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. There was an approximate decrease of \$630,000 of tax advance that was available to the District from the County Auditor at June 30, 2012. This variance resulted in more tax revenue being reported in fiscal year 2011 compared to 2012. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Earnings on investment decreased 71.35% can be attributed to the decrease in investments as well as the decline in rates.

Overall expenditures of the general fund increased \$700,893 or 6.11%. The most significant increase was in the area of instruction. This increase can be attributed to special instruction expenditures increasing as a result of increased costs relating to handicapped children.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2012 Amount	2011 Amount	Increase (Decrease)	Percentage Change
Revenues:				
Taxes	\$ 3,365,300	\$ 4,226,443	(\$861,143)	(20.38) %
Tuition	1,330,133	1,116,889	213,244	19.09 %
Earnings on investments	6,450	22,511	(16,061)	(71.35) %
Intergovernmental	5,922,274	5,845,519	76,755	1.31 %
Other revenues	276,937	244,329	32,608	13.35 %
Total	<u>10,901,094</u>	<u>11,455,691</u>	<u>(554,597)</u>	(4.84) %
Expenditures:				
Instruction	7,518,400	6,793,977	724,423	10.66 %
Support services	4,161,392	4,166,694	(5,302)	(0.13) %
Extracurricular activities	471,596	452,710	18,886	4.17 %
Debt service	20,940	58,054	(37,114)	(63.93) %
Total	<u>\$12,172,328</u>	<u>\$11,471,435</u>	<u>\$700,893</u>	6.11 %

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2012, the District amended its general fund budget. For the general fund, original budgeted revenues and other financing sources were \$11,454,544 and final budgeted revenues and other financing sources were \$11,265,511. Actual revenues and other financing sources for fiscal 2012 were \$11,257,326. This represents a \$8,185 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$12,010,456. The final budget appropriations (appropriated expenditures including other financing uses) were \$12,120,456. The actual budget basis expenditures for fiscal year 2012 totaled \$12,069,635, which is \$50,821 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$3,671,955 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2012 balances compared to 2011:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2012	2011
Land	\$ 252,710	\$ 252,710
Land improvements	207,029	240,312
Building and improvements	2,244,066	2,556,530
Furniture and equipment	381,939	416,095
Vehicles	586,211	638,335
Total	\$3,671,955	\$4,103,982

The overall decrease in capital assets of \$432,027 is due to depreciation expense of \$487,202 and disposals (net of accumulated depreciation) of \$4,825 exceeded capital outlays of \$60,000 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2012, the District had \$12,014 in capital leases outstanding. The entire amount is due within one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End		
	Governmental Activities	Governmental Activities
	2012	2011
Capital lease obligations	\$12,014	\$31,813
Total	\$12,014	\$31,813

See Notes 10-11 to the basic financial statements for additional information on the District's debt administration.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Current Financial Related Activities

Our District, like most other districts, continues to face many challenges this year and in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property taxes mostly residential and agriculture, Income taxes (1/2% continuing, and 1% for a three-year renewable term), and Unrestricted State Aid. All three of these revenue line items increased slightly during fiscal year 2012; however, these slight increases were offset by larger reductions in other revenue sources such as Restricted Grant Funding / Stimulus Funding which decreased by a net amount of \$558,154 and the elimination of our State TPP reimbursement payment in the amount of \$151,087 creating additional strain on our remaining decreasing cash balance. Locally the District has very little industry within the school district boundaries, which makes the Real Estate Property tax and the Income tax even more vital to the District's operation and existence. The 1% Income tax was renewed for a three year period in May 2010 and will be up for renewal again in 2013. Even with the Income tax renewal, the District's five-year forecast still showed a declining cash balance for fiscal year 2012, and fiscal year 2013. This decreasing trend does level off for fiscal year 2014 and fiscal year 2015 due to all staff taking wage and step freezes for fiscal year 2013 and fiscal year 2014. In addition the staff reductions that were made in fiscal year 2012 and fiscal year 2013 have impacted this trend. In regards to State funding the new Bi-annual State budget will be determined in fiscal year 2014 and I am currently projecting an increase in our state funding of 3% for fiscal year 2014. The cash balance does revert back to a decreasing fund balance in fiscal year 2016 and each year there after with an anticipated negative balance occurring in fiscal year 2018 if additional general fund revenue is not obtained.

In addition to maintaining the Five-Year Forecast as required, the District has developed a Continuous Improvement Plan and an Ohio Improvement Plan. The vision of the District is a "quality staff providing support for student success", and the mission of the District is to be an "educational partnership dedicated to helping students reach their full potential". The Continuous Improvement Plan includes the following four objectives: 1. High Academic Achievement and Progress for All students. 2. West Liberty-Salem Local Schools will try to manage a fiscally responsible and secure district by continually maintaining a minimum cash reserve equaling one month of expenditures. 3. West Liberty-Salem Local Schools will Improve District-wide Communication among All Stakeholders in the School District and the Community. 4. West Liberty-Salem Local Schools will facilitate a relationship between the Board of Education, District Personnel, and the Community to Review and Create a Plan for Maintenance / Improvement of School Facilities. The Ohio Improvement Plan is made up of Smart Goals that are being followed in regards to Reading and Math that deal with Curriculum Mapping, Communication & Data Usage and High Quality Assessments.

The District remains a lapsed district within the Ohio School Facilities Commission (OSFC) system, which means that the District must now first pass a bond issue before the OSFC will allocate their share of the project. The Board of Education has determined that they will place this issue on the November 2012 ballot in an attempt to secure voter approval for WL-S share of the OSFC project. If this issue is approved the District will pay 29% of the cost and the State will pay 71% of the cost. Total project cost is anticipated to be approximately \$32,000,000. WL-S is asking voters to approve a 7.05 Mill Bond issue in the amount \$14,500,000 for a 27 year term at a 4% interest rate and a .50 Mill Maintenance Levy. The \$14,500,000 amount includes WL-S approximate state share of \$9,400,000 plus \$5,100,000 for a limited number of LFI (Locally Funded Initiative) projects not funded by the OSFC. The district currently has no outstanding debt with the previous building debt being paid off in full on December 1, 2009. It is interesting to note that this Bond issue back in 1986 was for 6.32 Mills at a total of \$3,060,000 for a 23 year term at a 7.50% interest rate and also required a .50 Mill Maintenance Levy.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

In an effort to reduce costs during fiscal year 2012 and future years, the District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. At the end of fiscal year 2012 there were three teachers who retired and one teacher who will retire at the end of September 2012. While three of these four teachers are being replaced they are being replaced with lower cost entry level teachers. Three non-certified employees are retiring and only two of them are being replaced. In addition the district did a reduction in force for a number of teacher aides reducing this number in half. As already stated all employees agreed to a base wage freeze and step freeze in fiscal year 2013 and fiscal year 2014. The district also changed to a different health insurance provider and added a high deductible health care plan as one of the options starting in fiscal year 2013. A number of different employee contribution tier levels are being introduced in fiscal year 2013 to increase the employee payment share that they pay for health care and to help reduce the schools overall health care cost.

Current and ongoing areas of concern for the District include the decreasing receipts of core revenues like our Real Estate Tax revenues at a greater level than the district can reduce their expenses. While our Real Estate tax proceeds did experience a small increase this increase was almost all offset by a decrease in our Tangible Personal Property tax collections. Overall our Residential Property values decreased although this decrease was offset by an increase in Agriculture Property values after the state recalculated the CAUV (Current Agriculture Use Value). Being a rural district with a large agriculture influence the drought like conditions that are currently being experienced may offset what ever positives that may occur because our income tax collections stop declining. The Evidence Based Funding Model which was being used to determine our State Funding revenue has been eliminated and replaced with a temporary Bridge Funding formula which the state hopes to replace with a new funding formula by fiscal year 2013 or fiscal year 2014. What this new formula funding will mean to the district remains a huge unknown since State revenue for our district is our largest source of revenue.

In conclusion, the Board of Education, administration, all staff, students, and the parents continue to look at ways of controlling costs, meeting the financial needs and challenges of the District, and most importantly of providing a quality education for all of the students of West Liberty-Salem Local Schools.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers, and our creditors and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Steven Godwin, Treasurer, West Liberty-Salem Local School District, 7208 N. Route 68, West Liberty, Ohio 43357-9674.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$1,536,508
Receivables:	
Property taxes	2,572,381
Income taxes	646,665
Accounts	6,193
Accrued interest	566
Intergovernmental	63,135
Materials and supplies inventory	17,718
Capital assets:	
Land	252,710
Depreciable capital assets, net	3,419,245
Capital assets, net	3,671,955
Total assets	8,515,121
 Liabilities:	
Accounts payable	160,037
Accrued wages and benefits	1,058,801
Pension obligation payable	232,465
Intergovernmental payable	177,259
Accrued interest payable	42
Unearned revenue	2,091,462
Long-term liabilities:	
Due within one year	216,027
Due in more than one year	548,979
Total liabilities	4,485,072
 Net Assets:	
Invested in capital assets, net of related debt	3,659,941
Restricted for:	
Capital projects	454,932
Debt service	2,057
Federally funded programs	11,991
Student activities	22,487
Other purposes	37,924
Unrestricted (deficit)	(159,283)
Total net assets	\$4,030,049

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$5,022,444	\$763,122	\$20,741	(\$4,238,581)
Special	2,420,024	615,627	646,774	(1,157,623)
Vocational	182,486		38,777	(143,709)
Other	433,060			(433,060)
Support services:				
Pupil	599,876		233,197	(366,679)
Instructional staff	596,256			(596,256)
Board of education	103,064			(103,064)
Administration	836,811			(836,811)
Fiscal	430,263			(430,263)
Business	823			(823)
Operations and maintenance	1,009,023			(1,009,023)
Pupil transportation	824,513		38,750	(785,763)
Central	261,036			(261,036)
Operation of non-instructional services:				
Food service operations	550,885	327,892	174,273	(48,720)
Other non-instructional services	5,503		3,600	(1,903)
Extracurricular activities	584,202	186,554	9,090	(388,558)
Interest and fiscal charges	1,161			(1,161)
Total governmental activities	\$13,861,430	\$1,893,195	\$1,165,202	(10,803,033)
General Revenues:				
Property taxes levied for:				
				1,595,092
				99,668
Income taxes levied for:				
				1,816,024
				5,419,100
				5,871
				128,758
				<u>9,064,513</u>
				Change in net assets (1,738,520)
				<u>Net assets at beginning of year 5,768,569</u>
				<u><u>Net assets at end of year \$4,030,049</u></u>

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$913,027	\$623,481	\$1,536,508
Receivables:			
Property taxes	2,422,586	149,795	2,572,381
Income taxes	646,665		646,665
Accounts	6,193		6,193
Accrued interest	566		566
Intergovernmental	22,232	40,903	63,135
Materials and supplies inventory	13,545	4,173	17,718
Total assets	<u>4,024,814</u>	<u>818,352</u>	<u>4,843,166</u>
Liabilities:			
Accounts payable	100,955	59,082	160,037
Accrued wages and benefits	1,002,126	56,675	1,058,801
Compensated absences payable	76,769		76,769
Pension obligation payable	216,203	16,262	232,465
Intergovernmental payable	175,043	2,216	177,259
Deferred revenue	256,658	14,695	271,353
Unearned revenue	1,970,044	121,418	2,091,462
Total liabilities	<u>3,797,798</u>	<u>270,348</u>	<u>4,068,146</u>
Fund Balances:			
Non-spendable:			
Materials and supplies inventory	13,545	4,173	17,718
Restricted:			
Debt service		2,057	2,057
Capital improvements		136,283	136,283
Food service operations		52,531	52,531
Targeted academic assistance		32,807	32,807
Other purposes		119	119
Extracurricular		22,487	22,487
Committed:			
Capital improvements		304,154	304,154
Assigned:			
Student instruction	9,574		9,574
Student and staff support	17,607		17,607
Subsequent year appropriations	154,849		154,849
School supplies	4,980		4,980
Public school support	41,081		41,081
Other purposes	6,826		6,826
Unassigned (deficit)	(21,446)	(6,607)	(28,053)
Total fund balances	<u>227,016</u>	<u>548,004</u>	<u>775,020</u>
Total liabilities and fund balances	<u>\$4,024,814</u>	<u>\$818,352</u>	<u>\$4,843,166</u>

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total governmental fund balances		\$775,020
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,671,955
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$248,921	
Intergovernmental	<u>22,432</u>	
Total		271,353
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(42)
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(676,223)	
Capital lease obligation	<u>(12,014)</u>	
Total		<u>(688,237)</u>
Net assets of governmental activities		<u><u>\$4,030,049</u></u>

See accompanying notes to the basic financial statements.

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$1,549,276	\$96,901	\$1,646,177
Income taxes	1,816,024		1,816,024
Tuition	1,330,133		1,330,133
Earnings on investments	6,450	1,390	7,840
Charges for services		327,162	327,162
Extracurricular	99,563	86,991	186,554
Classroom materials and fees	20		20
Contributions and donations		9,090	9,090
Contract services	12,913		12,913
Other local revenues	164,441	730	165,171
Intergovernmental - state	5,922,274	26,387	5,948,661
Intergovernmental - federal		604,327	604,327
Total revenues	<u>10,901,094</u>	<u>1,152,978</u>	<u>12,054,072</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,717,223	72,873	4,790,096
Special	2,250,196	189,049	2,439,245
Vocational	182,465		182,465
Other	368,516		368,516
Support services:			
Pupil	365,292	235,147	600,439
Instructional staff	587,931		587,931
Board of education	24,384		24,384
Administration	832,346		832,346
Fiscal	420,758	3,750	424,508
Operations and maintenance	915,826	88,716	1,004,542
Pupil transportation	757,543		757,543
Central	257,312		257,312
Operation of non-instructional services:			
Food service operations		549,866	549,866
Other non-instructional services		3,600	3,600
Extracurricular activities	471,596	112,193	583,789
Facilities acquisition and construction		27,214	27,214
Debt service:			
Principal retirement	19,799		19,799
Interest and fiscal charges	1,141		1,141
Total expenditures	<u>12,172,328</u>	<u>1,282,408</u>	<u>13,454,736</u>
Excess of expenditures over revenues	<u>(1,271,234)</u>	<u>(129,430)</u>	<u>(1,400,664)</u>
Other financing sources (uses):			
Transfers in		1,655	1,655
Transfers (out)	(1,655)		(1,655)
Total other financing sources (uses)	<u>(1,655)</u>	<u>1,655</u>	
Net change in fund balances	(1,272,889)	(127,775)	(1,400,664)
Fund balances at beginning of year	<u>1,499,905</u>	<u>675,779</u>	<u>2,175,684</u>
Fund balances at end of year	<u>\$227,016</u>	<u>\$548,004</u>	<u>\$775,020</u>

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds (\$1,400,664)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$60,000	
Depreciation expense	(487,202)	
Total		(427,202)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (4,825)

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

Property taxes	48,583	
Earnings on investments	(1,969)	
Intergovernmental revenue	22,432	
Total		69,046

Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 19,799

Governmental funds report expenditures for interest when it is due.

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is more due to an increase in accrued interest payable on the capital lease. (20)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 5,346

Change in net assets of governmental activities (\$1,738,520)

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Property taxes	\$2,215,509	\$2,188,215	\$2,179,099	(\$9,116)
Income taxes	1,694,804	1,713,362	1,713,362	
Tuition	1,292,947	1,336,663	1,330,133	(6,530)
Earnings on investments	28,438	28,000	17,667	(10,333)
Contract services	13,203	13,000	12,913	(87)
Other local revenues	78,205	77,000	81,562	4,562
Intergovernmental - state	6,129,438	5,907,271	5,922,274	15,003
Total revenues	<u>11,452,544</u>	<u>11,263,511</u>	<u>11,257,010</u>	<u>(6,501)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,777,816	4,774,566	4,774,308	258
Special	1,907,409	2,206,109	2,209,195	(3,086)
Vocational	190,079	190,079	191,194	(1,115)
Other	424,600	370,600	368,504	2,096
Support services:				
Pupil	334,384	345,384	342,544	2,840
Instructional staff	656,893	618,893	608,760	10,133
Board of education	32,955	32,955	29,756	3,199
Administration	849,150	856,400	837,799	18,601
Fiscal	410,570	422,570	418,370	4,200
Operations and maintenance	1,048,795	967,595	962,374	5,221
Pupil transportation	779,985	770,285	763,926	6,359
Central	251,150	251,150	251,103	47
Extracurricular activities	321,670	311,870	310,147	1,723
Total expenditures	<u>11,985,456</u>	<u>12,118,456</u>	<u>12,067,980</u>	<u>50,476</u>
Excess of expenditures over revenues	<u>(532,912)</u>	<u>(854,945)</u>	<u>(810,970)</u>	<u>43,975</u>
Other financing sources (uses):				
Refund of prior year's expenditures	2,000	2,000	316	(1,684)
Transfers (out)	(25,000)	(2,000)	(1,655)	345
Total other financing sources (uses)	<u>(23,000)</u>	<u></u>	<u>(1,339)</u>	<u>(1,339)</u>
Net change in fund balance	(555,912)	(854,945)	(812,309)	42,636
Fund balance at beginning of year	1,558,971	1,558,971	1,558,971	
Prior year encumbrances appropriated	62,298	62,298	62,298	
Fund balance at end of year	<u>\$1,065,357</u>	<u>\$766,324</u>	<u>\$808,960</u>	<u>\$42,636</u>

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AGENCY FUND
JUNE 30, 2012**

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$109,510
Cash in segregated accounts	<u>15,657</u>
Total assets	<u><u>125,167</u></u>
Liabilities:	
Due to employees	15,657
Deposits held and due to others	<u>109,510</u>
Total liabilities	<u><u>\$125,167</u></u>

See accompanying notes to the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The West Liberty-Salem Local School District (the "District") is located in Champaign County and encompasses the Village of West Liberty and portions of surrounding townships. The District serves an area of approximately 58 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 425th largest by enrollment among the 918 districts in the State (including community schools) and the 3rd largest in Champaign County. It currently operates 1 building, which contains 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 87 certified and 62 classified employees to provide services to 1,253 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989 to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan and Shelby counties. WOCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member districts.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of 14 members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information is available from Sonny Ivey, Administrator, 129 East Court Street, Sidney, Ohio 45265.

Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The JVS is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. Financial information can be obtained by writing to Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Metropolitan Educational Council

The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 Districts in 22 counties. The purpose of the cooperative is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the MEC. The Governing Board of the MEC consists of one voting representative from each member district. Financial information can be obtained by writing to Metropolitan Educational Council, Elmo Kallner, who serves as director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the Council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the general fund. During fiscal year 2012, the District paid \$52,884 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 1831 Harshman Road, Dayton, Ohio 45424.

2. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (the "Program"), an insurance purchasing pool. The Program'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 Districts pay an enrollment fee to the Program to cover the costs of administering the Program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. CompManagement provides administrative, cost control and actuarial services to the Program.

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents and treasurers. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Financial information can be obtained from The Hylant Group, 881 Madison Avenue, Toledo, Ohio 43624.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Champaign, Delaware, Marion, and Union County Schools Insurance Consortium

The Champaign, Delaware, Marion and Union County Schools Insurance Consortium (CDMU) sponsors self-insured medical plans for eight school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion and Union counties. These plans are for active employees and their covered dependents. Amongst the eight school districts and educational service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative claims processing, claims payments, and customer service at CoreSource's facility in Dublin, Ohio.

B. Fund Accounting

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

1. Governmental Funds

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

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

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation and Measurement Focus

1. Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a program, service, or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities on 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.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

- 2. Unearned Revenue and Deferred Revenue** – Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2012 are recorded as deferred revenue.

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

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function for the general fund, and by fund for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund or function appropriations for the general fund, or the total of any fund appropriations for all other funds, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level for the general fund, and at the fund level for all other funds.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as certificates of deposits, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, and to the food service fund (a non-major governmental fund) and the classroom facilities (a non-major governmental fund). Interest revenue credited to the general fund during fiscal year 2012 amounted to \$6,450, which includes \$1,803 assigned from other funds.

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

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

G. Inventory

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

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

Governmental capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal 2012, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 – 20 years
Buildings and improvements	20 – 50 years
Equipment and furniture	5 – 20 years
Vehicles	4 – 6 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net assets. At June 30, 2012, the District had no interfund receivables/payables.

J. Compensated Absences

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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 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 year. Capital leases are recognized as a liability on the fund financial statements when due.

L. 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:

1. **Non-spendable** – The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
2. **Restricted** – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
3. **Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 4. Assigned** – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.
- 5. Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include food service operations.

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

N. Estimates

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

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the basic financial statements.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Non-major funds</u>	<u>Deficit</u>
Education jobs grant	\$ 74
IDEA Part-B	3,549
Improving teacher quality	2,984

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

4. DEPOSITS AND INVESTMENTS

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$1,661,579. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$1,107,642 of the District's bank balance of \$1,764,343 was exposed to custodial risk, while \$656,701 was covered by the FDIC as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

At June 30, 2012, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturity 6 months or less
STAR Ohio	\$96	\$96

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$96	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets at June 30, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$1,661,579
Investments	96
Total	<u>\$1,661,675</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,536,508
Agency funds	125,167
Total	<u>\$1,661,675</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2012 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Non-major governmental funds	<u>\$1,655</u>

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 authorizations. Transfers between governmental funds are eliminated on the statement of activities.

6. PROPERTY TAXES

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$218,116 in the general fund and \$13,882 in the permanent improvement fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$847,939 in the general fund and \$52,124 in the permanent improvement fund (a non-major governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$113,516,130	95.61	\$113,811,210	95.68
Public utility personal	5,171,690	4.36	5,055,700	4.25
Tangible personal property	34,060	0.03	85,311	0.07
Total	<u>\$118,721,880</u>	<u>100.00</u>	<u>\$118,952,221</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$35.10		\$35.10	

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. SCHOOL DISTRICT INCOME TAX

During fiscal year 1983, voters of the District passed a 0.5% continuing income tax. A 1.0% renewable income tax was first passed in 1992 and is subject to renewal every three years.

Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund for fiscal year 2012 was \$1,816,024.

8. RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, accounts, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

<u>Governmental activities:</u>	
Property taxes	\$2,572,381
Income taxes	646,665
Accounts	6,193
Accrued interest	566
Intergovernmental	<u>63,135</u>
Total	<u>\$3,288,940</u>

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

9. CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>
Capital assets, not being depreciated:				
Land	\$ 252,710			\$ 252,710
Total capital assets, not being depreciated	<u>252,710</u>			<u>252,710</u>
Capital assets, being depreciated:				
Land improvements	767,873			767,873
Buildings and improvements	9,458,960			9,458,960
Equipment and furniture	1,373,885	\$ 60,000	(\$57,720)	1,376,165
Vehicles	1,281,350			1,281,350
Total capital assets, being depreciated	<u>12,882,068</u>	<u>60,000</u>	<u>(57,720)</u>	<u>12,884,348</u>

(Continued)

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. CAPITAL ASSETS (Continued)

<u>Governmental activities:</u>	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>
Capital assets, being depreciated: (Contd)				
Less: accumulated depreciation:				
Land improvements	(527,561)	(33,283)		(560,844)
Buildings and improvements	(6,902,430)	(312,464)		(7,214,894)
Equipment and furniture	(957,790)	(89,331)	52,895	(994,226)
Vehicles	(643,015)	(52,124)		(695,139)
Total accumulated depreciation	<u>(9,030,796)</u>	<u>(487,202)</u>	<u>52,895</u>	<u>(9,465,103)</u>
Total capital assets, being depreciated net	<u>3,851,272</u>	<u>(427,202)</u>	<u>(4,825)</u>	<u>3,419,245</u>
Governmental activities capital assets, net	<u>\$4,103,982</u>	<u>(\$427,202)</u>	<u>(\$ 4,825)</u>	<u>\$3,671,955</u>

Depreciation expense was charged to governmental functions as follows:

10. CAPITAL LEASE – LESSEE DISCLOSURE

In prior years, the District entered into lease agreements for printers, copiers and equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting For Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. These expenditures are reflected as function expenditures on a budgetary basis. Governmental capital assets acquired by capital leases have been capitalized in the amount of \$358,709, which is equal to the present values of the future minimum payments at the dates of the lease inceptions. As of June 30, 2012, accumulated depreciation totaled \$232,561 on these assets and the net book value equaled \$126,148. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal 2012, principal payments equaled \$19,799 and interest payments equaled \$1,141, for total debt service of \$20,940. These amounts are reflected as principal retirement and interest and fiscal charges expenditures in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2012.

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	<u>\$12,215</u>
Total future minimum lease payments	12,215
Less: Amount representing interest	<u>(201)</u>
Present value of future minimum lease payments	<u>\$ 2,014</u>

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. LONG-TERM OBLIGATIONS

A. The changes in the District's long-term obligations during the year consist of the following:

<u>Governmental activities:</u>	<u>Balance 6/30/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/12</u>	<u>Amount Due in One Year</u>
Capital lease obligation	\$31,813		(\$ 19,799)	\$ 12,014	\$ 12,014
Compensated absences payable	<u>749,065</u>	<u>\$197,238</u>	<u>(193,311)</u>	<u>752,992</u>	<u>204,013</u>
Total governmental activities long-term liabilities	<u>\$780,878</u>	<u>\$197,238</u>	<u>(\$213,110)</u>	<u>\$765,006</u>	<u>\$216,027</u>

See Note 10 for detailed information on the capital lease obligation. Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the general fund.

B. Legal Debt Margins

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2012 are a legal voted debt margin of \$10,707,757 (including available funds of \$2,057), and a legal un-voted debt margin of \$118,952.

12. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the District contracted with Ohio School Plan (through the Stolly Insurance Group) for property, fleet insurance, liability insurance and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Amount</u>
Building and Business Personal Property including EDP Replacement cost (\$1,000 deductible)	\$33,223,191
Marine coverage (\$1,000 deductible)	50,000
Automotive Liability:	
Comprehensive deductibles: buses - \$1,000, all other \$250	
Collision deductible: buses - \$1,000, all other \$500	3,000,000
General Liability:	
Per Occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2012.

B. Workers' Compensation

For fiscal year 2012, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"). This Plan was created as a result of Amended House Bill 222 that mandated the creation of the Workers Compensation Group Rating Plan as defined in the Ohio Revised Code Section 4123.29. The intent of the Plan is to permit employers to Group together to potentially achieve a lower premium rate that they may not otherwise be able to acquire as individual employers.

The workers' compensation experience of the participating Districts is calculated and the District is then placed in the level/tier for which they qualify based on a number of factors. Each participant pays its workers' compensation premium to the state based on the rate for the Plan level/tier rather than its individual rate. Participation in the Plan is limited to Districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Employee Medical

The District is also a member of the Champaign, Delaware, Marion and Union County Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for eight (8) school districts, educational service centers and Boards of Education. These plans are for active employees and their covered dependents. Among the eight districts and service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payments, and customer service at CoreSource's facility in Dublin, Ohio. Medical Mutual is the PPO provider for the CDMU.

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$199,086, \$190,501 and \$204,348, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

13. PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$619,058, \$649,068 and \$649,308, respectively; 83.46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$10,184 made by the District and \$7,274 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105€. For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$32,326, \$54,483 and \$31,076, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$11,757, \$12,259 and \$12,152, respectively; 62.61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$47,620, \$49,928 and \$49,947, respectively; 83.46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance	
	General fund
Budget basis	(\$ 812,309)
Net adjustment for revenue accruals	(531,869)
Net adjustment for expenditure accruals	29,644
Net adjustment for other sources/uses	(316)
Funds budgeted elsewhere	(8,416)
Adjustment for encumbrances	<u>50,377</u>
GAAP basis	<u>(\$1,272,889)</u>

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

16. CONTINGENCIES

A. Grants and ADM

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

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. CONTINGENCIES (Continued)

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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

17. SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$210,080
Current year qualifying expenditures	(50,880)
Current year offsets	(159,200)
Total	\$ 0
Balance carried forward to fiscal year 2013	\$ 0
Set-aside balance June 30, 2012	\$ 0

18. OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	\$27,181
Non-major governmental funds	52,171
Total	\$79,352

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**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$13,024		\$13,024	
National School Lunch Program	10.555	132,139		132,139	
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$26,780		\$26,780
Total National School Lunch Program		<u>132,139</u>	<u>26,780</u>	<u>132,139</u>	<u>26,780</u>
Total Child Nutrition Cluster - U. S. Department of Agriculture		<u>145,163</u>	<u>26,780</u>	<u>145,163</u>	<u>26,780</u>
U. S. Environmental Protection Agency					
<i>(Passed Through Ohio Environmental Protection Agency)</i>					
State Public Water System Supervision	66.432	3,096		3,096	
Total U.S. Environmental Protection Agency		<u>3,096</u>		<u>3,096</u>	
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title 1 Grants to Local Educational Agencies Cluster					
Title 1 Grants to Local Educational Agencies	84.010	154,020		162,887	
ARRA Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	2,507		3,550	
Total Title 1 Grants to Local Educational Agencies Cluster		<u>156,527</u>		<u>166,437</u>	
Special Education Grants to States	84.027	218,719		222,054	
Education Technology State Grants	84.318	790		790	
Improving Teacher Quality State Grants	84.367	22,538		22,538	
ARRA Race to the Top State Grants	84.395	25,500		25,365	
Education Jobs State Grants	84.410	8,929		8,929	
Total U. S. Department of Education		<u>433,003</u>		<u>446,113</u>	
Total Federal Financial Assistance		<u>\$581,262</u>	<u>\$26,780</u>	<u>\$594,372</u>	<u>\$26,780</u>

The accompanying notes to this schedule are an integral part of this schedule.

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.

NOTE D - TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES

The District receives funding for the Title 1 Neglected program. These are reported as part of CFDA 84.389 – Title 1 Grants to Local Educational Agencies stimulus grant on the Schedule of Federal Awards Receipts and Expenditures.



Dave Yost • Auditor of State

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

West Liberty-Salem Local School District
Champaign County
7208 North U.S. Highway 68
West Liberty, Ohio 43357

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

West Liberty-Salem Local School District
Champaign County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

December 19, 2012



Dave Yost • Auditor of State

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

West Liberty-Salem Local School District
Champaign County
7208 North U.S. Highway 68
West Liberty, Ohio 43357

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

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



Dave Yost
Auditor of State

December 19, 2012

**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA #10.553 and #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2013