



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the West Liberty-Salem Local School District, Champaign County, (the "District"), as of and for the fiscal-year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types 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 January 19, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 19, 2004

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$588,370	\$131,824	\$108,854	\$566,963
Investments	450,000			
Cash With Fiscal Agent				
Receivables:				
Property Taxes	2,107,650	36,800	222,637	49,766
Income Taxes	492,013			
Accounts	91			
Accrued Interest	380			
Due From Other Governments		12,217		
Materials and Supplies Inventory	16,599			
Prepaid Items	7,301			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,429			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>3,709,833</u>	<u>180,841</u>	<u>331,491</u>	<u>616,729</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	117,220	3,138		1,622
Accrued Wages and Benefits	794,097	9,233		
Pension Obligation Payable	122,280			
Due to Other Governments	19,196	327		
Due to Students				
Deferred Revenue	1,960,925	36,800	204,321	45,420
Compensated Absences Payable	12,322			
Deposits Held and Due to Others				
Payable from Restricted Assets:				
General Obligation Bonds Payable				
Total Liabilities	<u>3,026,040</u>	<u>49,498</u>	<u>204,321</u>	<u>47,042</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balances:				
Reserved:				
Reserved for Property Taxes	146,725		18,316	4,346
Reserved BWC Refunds	47,429			
Reserved for Encumbrances	58,952	43,878		13,910
Reserved for Materials and Supplies Inventory	16,599			
Reserved for Prepaid Items	7,301			
Reserved for Debt Service			108,854	
Designated for Capital Maintenance	175,700			
Designated for WLS Building Project OSFC Expedited Program				528,739
Unreserved, Undesignated	231,087	87,465		22,692
Total Fund Equity and Other Credits	<u>683,793</u>	<u>131,343</u>	<u>127,170</u>	<u>569,687</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$3,709,833</u>	<u>\$180,841</u>	<u>\$331,491</u>	<u>\$616,729</u>

The notes to the general purpose financial statements are an integral part of this statement.

Proprietary Fund Types	Internal Service	Fiduciary Fund Types Trust and Agency	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Obligations	
Enterprise					
\$73,874	\$416	\$52,811			\$1,523,112
		697			450,000
					697
					2,416,853
					492,013
					91
					380
11,864					12,217
					28,463
					7,301
					47,429
26,877			12,345,548		12,372,425
				127,170	127,170
				1,442,208	1,442,208
<u>112,615</u>	<u>416</u>	<u>53,508</u>	<u>12,345,548</u>	<u>1,569,378</u>	<u>18,920,359</u>
1,518		3,292			126,790
25,051					828,381
15,637				85,183	223,100
576					20,099
		40,402			40,402
					2,247,466
1,661				504,195	518,178
		697			697
				980,000	980,000
<u>44,443</u>		<u>44,391</u>		<u>1,569,378</u>	<u>4,985,113</u>
			12,345,548		12,345,548
68,172	416				68,588
					169,387
					47,429
					116,740
					16,599
					7,301
					108,854
					175,700
					528,739
		9,117			350,361
<u>68,172</u>	<u>416</u>	<u>9,117</u>	<u>12,345,548</u>		<u>13,935,246</u>
<u>\$112,615</u>	<u>\$416</u>	<u>\$53,508</u>	<u>\$12,345,548</u>	<u>\$1,569,378</u>	<u>\$18,920,359</u>

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Funds	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property & Other Local Taxes	\$1,898,279	\$37,663	\$206,948	\$46,021		\$2,188,911
Income Tax	1,362,460					1,362,460
Tuition and Fees	16,055					16,055
Earnings on Investments	53,756			12,228	75	66,059
Extracurricular		108,685				108,685
Other Local Revenue	48,014	25,757			6,988	80,759
Other Revenue					9,000	9,000
Intergovernmental - State	5,177,336	50,830	23,321	6,853		5,258,340
Intergovernmental - Federal		186,103				186,103
Total Revenues	<u>8,555,900</u>	<u>409,038</u>	<u>230,269</u>	<u>65,102</u>	<u>16,063</u>	<u>9,276,372</u>
Expenditures:						
Current:						
Instruction						
Regular	3,772,002	9,530		36,480	7,002	3,825,014
Special	843,813	83,474				927,287
Vocational	122,380					122,380
Other	344,629					344,629
Support services:						
Pupil	303,337	141,268				444,605
Instructional Staff	538,767	14,550				553,317
Board of Education	31,847					31,847
Administration	647,246	2,004				649,250
Fiscal	245,436	854	4,000	1,050		251,340
Operation and Maintenance of Plant	771,033	45,213		35,587		851,833
Pupil Transportation	745,522					745,522
Central	222,446					222,446
Community Services		21,148				21,148
Extracurricular activities	209,777	150,918				360,695
Facilities Services				35,844		35,844
Debt Service:						
Principal Retirement			140,000			140,000
Interest Charges			78,750			78,750
Total Expenditures	<u>8,798,235</u>	<u>468,959</u>	<u>222,750</u>	<u>108,961</u>	<u>7,002</u>	<u>9,605,907</u>
Excess of Revenues Over (Under) Expenditures	<u>(242,335)</u>	<u>(59,921)</u>	<u>7,519</u>	<u>(43,859)</u>	<u>9,061</u>	<u>(329,535)</u>
Other Financing Sources and Uses						
Operating Transfers In		20,250		250,000		270,250
Operating Transfers Out	<u>(270,250)</u>					<u>(270,250)</u>
Total Other Financing Sources (Uses)	<u>(270,250)</u>	<u>20,250</u>		<u>250,000</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(512,585)	(39,671)	7,519	206,141	9,061	(329,535)
Fund Balances at Beginning of Year	1,191,248	171,014	119,651	363,546	56	1,845,515
Increase in Reserve for Inventory	5,130					5,130
Fund Balances at End of Year	<u>\$683,793</u>	<u>\$131,343</u>	<u>\$127,170</u>	<u>\$569,687</u>	<u>\$9,117</u>	<u>\$1,521,110</u>

The notes to the general purpose financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types					
	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,855,000	\$1,864,664	\$9,664	\$42,582	\$37,663	(\$4,919)
Income Tax	1,494,000	1,382,402	(111,598)			
Tuition	25,000	16,055	(8,945)			
Interest	100,000	55,875	(44,125)			
Extracurricular				125,970	108,685	(17,285)
Other Local Revenues	27,300	39,736	12,436	23,501	25,758	2,257
Other Revenue						
Intergovernmental - State	5,387,000	5,177,336	(209,664)	50,990	50,831	(159)
Intergovernmental - Federal				200,794	188,576	(12,218)
Total Revenues	8,888,300	8,536,068	(352,232)	443,837	411,513	(32,324)
Expenditures:						
Current:						
Instruction:						
Regular	3,771,272	3,740,825	30,447	11,270	10,553	717
Special	834,149	820,603	13,546	107,720	93,254	14,466
Vocational	140,807	133,579	7,228			
Other	345,700	344,629	1,071			
Support services:						
Pupil	345,309	310,539	34,770	147,589	141,487	6,102
Instructional Staff	656,555	598,138	58,417	22,576	19,462	3,114
Board of Education	41,300	37,234	4,066			
Administration	687,590	640,287	47,303	2,000	2,000	
Fiscal	250,464	239,837	10,627	1,000	854	146
Operation and Maintenance of Plant	782,793	769,396	13,397	113,892	84,240	29,652
Pupil Transportation	741,474	722,469	19,005	975		975
Central	236,225	227,865	8,360			
Community Services				25,772	25,322	450
Extracurricular activities	216,273	209,794	6,479	184,419	150,905	33,514
Facilities Services						
Debt Service:						
Principal Retirement						
Interest Charges						
Total Expenditures	9,049,911	8,795,195	254,716	617,213	528,077	89,136
Excess of Revenues Over (Under) Expenditures	(161,611)	(259,127)	(97,516)	(173,376)	(116,564)	56,812
Other Financing Sources and Uses						
Refund of Prior Year Expenditures	7,000	8,213	1,213			
Advances In	5,000		5,000			
Advances Out	(5,000)		(5,000)			
Transfers In				8,250	20,250	12,000
Transfers Out	(315,000)	(270,250)	44,750			
Total Other Financing Sources (Uses)	(308,000)	(262,037)	45,963	8,250	20,250	12,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(469,611)	(521,164)	(51,553)	(165,126)	(96,314)	68,812
Fund Balances at Beginning of Year	1,162,818	1,162,818		129,369	129,369	
Prior Year Encumbrances Appropriated	334,032	334,032		53,432	53,432	
Fund Balances at End of Year	\$1,027,239	\$975,686	(\$51,553)	\$17,675	\$86,487	\$68,812

The notes to the general purpose financial statements are an integral part of this statement.

Debt Service			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$203,400	\$202,057	(\$1,343)	\$44,160	\$45,081	\$921
			6,000	12,228	6,228
22,600	23,321	721	5,648	6,853	1,205
<u>226,000</u>	<u>225,378</u>	<u>(622)</u>	<u>55,808</u>	<u>64,162</u>	<u>8,354</u>
			36,480	36,480	
4,000	4,000		1,050	1,050	
			62,937	49,497	13,440
			604,621	35,844	568,777
140,000	140,000				
78,750	78,750				
<u>222,750</u>	<u>222,750</u>		<u>705,088</u>	<u>122,871</u>	<u>582,217</u>
3,250	2,628	(622)	(649,280)	(58,709)	590,571
			300,000	250,000	(50,000)
			<u>300,000</u>	<u>250,000</u>	<u>(50,000)</u>
3,250	2,628	(622)	(349,280)	191,291	540,571
106,226	106,226		333,203	333,203	
			26,937	26,937	
<u>\$109,476</u>	<u>\$108,854</u>	<u>(\$622)</u>	<u>\$10,860</u>	<u>\$551,431</u>	<u>\$540,571</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Operating Revenues:			
Tuition and Fees	\$15		\$15
Sales/Charges for Services	256,292	44,588	300,880
Other Operating Revenue	45,522	15,006	60,528
Total Operating Revenues	<u>301,829</u>	<u>59,594</u>	<u>361,423</u>
Operating Expenses			
Personal Services	181,046		181,046
Contract Services	4,022	60,999	65,021
Materials and Supplies	189,430		189,430
Depreciation	4,264		4,264
Other	680		680
Total Operating Expenses	<u>379,442</u>	<u>60,999</u>	<u>440,441</u>
Operating (Loss)	(77,613)	(1,405)	(79,018)
Non-Operating Revenues			
Interest Revenue	1,145		1,145
Federal and State Subsidies	48,822		48,822
Federal Donated Commodities	28,012		28,012
Total Non-Operating Revenues	<u>77,979</u>		<u>77,979</u>
Net Income (Loss)	366	(1,405)	(1,039)
Retained Earnings at Beginning of Year	<u>67,806</u>	<u>1,821</u>	<u>69,627</u>
Retained Earnings at End of Year	<u><u>\$68,172</u></u>	<u><u>\$416</u></u>	<u><u>\$68,588</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Increase(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Tuition and Fees	\$15		\$15
Cash Received from Sales/Charges for Services	256,292	44,588	300,880
Cash Received from Other Operations	45,522	15,006	60,528
Cash Payments for Personal Services	(181,520)		(181,520)
Cash Payments for Contract Services	(4,022)	(60,999)	(65,021)
Cash Payments for Supplies and Materials	(163,987)		(163,987)
Cash Payments for Other Expenses	(681)		(681)
Net Cash Provided (Used) by Operating Activities	<u>(48,381)</u>	<u>(1,405)</u>	<u>(49,786)</u>
Cash Flows from Noncapital Financing Activities:			
Cash from Federal & State Subsidies	48,822		48,822
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(4,995)		(4,995)
Cash Flows from Investing Activities:			
Interest Received	<u>1,145</u>		<u>1,145</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,409)	(1,405)	(4,814)
Cash and Cash Equivalents at Beginning of Year	<u>77,283</u>	<u>1,821</u>	<u>79,104</u>
Cash and Cash Equivalents at End of Year	<u><u>73,874</u></u>	<u><u>416</u></u>	<u><u>74,290</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(77,613)	(1,405)	(79,018)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,264		4,264
Federal Donated Commodities Used During the Year	28,012		28,012
Changes in Assets and Liabilities:			
Increase in Materials and Supplies Inventory	(3,687)		(3,687)
Increase in Accounts Payable	1,117		1,117
Increase in Accrued Wages and Benefits	3,206		3,206
Decrease in Compensated Absences Payable	(7,155)		(7,155)
Increase in Pension Obligation Payable	3,405		3,405
Increase in Due to Other Government	70		70
Total Adjustments	<u>29,232</u>		<u>29,232</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$48,381)</u></u>	<u><u>(\$1,405)</u></u>	<u><u>(\$49,786)</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 township. The District serves an area of approximately 58 square miles.

The District was established through the consolidation of existing land area 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 464th largest by enrollment among the 740 districts in the state, and the 3rd largest in Champaign County. It currently operates one building, which contains one elementary school, one middle school, and one comprehensive high school. The District employs 66 non-certified and 82 certified employees to provide services to 1,152 students in grade K through 12 and various community groups.

A. Reporting Entity:

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or 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. The District does not have any component units.

The District is associated with three jointly governed organizations and three group purchasing pools. These organizations include the Ohio Hi-Point Joint Vocational District, the Western Ohio Computer Organization, the West Central Ohio Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, the Champaign, Delaware, Marion and Union Schools Consortium and the Southwestern Ohio Educational Purchasing Cooperative. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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 Standard Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Accounting – Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

The Capital Projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

2. Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund types:

Enterprise Funds

Enterprise funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., funds expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust funds, and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. 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 fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred 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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund, function level for the General Fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Educations.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for rate determination.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time of the final appropriations were passed by the Board of Education.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, level for the General Fund and at the fund level for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within the General Fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several significant supplemental appropriations were legally enacted.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

2. Lapsing of Appropriations

At the close of each fiscal year the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

During fiscal year 2003, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposit. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment policy, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2003 amounted to \$53,756, which includes \$13,380 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and the presentation of the Combined Balance Sheet, 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, and not purchased from the pool, are reported as investments.

E. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchase; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicated they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out) or market and expensed when used rather than when purchased.

F. Prepaid Items

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. These restricted assets represent Bureau of Workers' Compensation (BWC) refunds whose use is restricted by state statute. A fund balance reserve has also been established (See Note 17).

H. Fixed Assets and Depreciation Account Group

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated.

The District follows the policy of not capitalizing assets with a cost less than \$500 and a useful life of less than one year. 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 capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis and a 10% assumed salvage value over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Fund

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

LPDC Block Grant
Teacher Development
Education Management Information Systems
OECN Network Connectivity
School Net Professional Development
Ohio Reads
Summer School Subsidy
Safe Schools
Eisenhower
Technology II - D
Title VI-B
Title I
Title V
Title VI
Drug-Fee Schools
Title VI Classroom Reduction

Capital Projects Funds

Ohio School Net Praise Grant
Tech Equity

Reimbursable Grants

General Fund

Vocational Education
School Bus Purchase Program

Enterprise Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

Grants and entitlements amounted to approximately fifty seven percent of the District's revenue during the fiscal year.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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. A liability for severance 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 to retire in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Bonds, long-term loans, and capital leases are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise funds.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers or equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2003 is presented in Note 4.

M. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its enterprise and internal service funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

N. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves and Designations

Reserved and designated fund balances indicate portions of fund equity which are not available for current appropriation or are segregated legally or by the Board for a specific use.

Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, property tax advances, prepaids, and Bureau of Workers Compensation refunds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Bureau of Workers Compensation rebates were previously part of the budget stabilization reserve and can now only be spent according to the requirements of S.B. 345 which eliminated the requirement for a budget stabilization set-aside.

Designated assets in the general fund represent cash and cash equivalents consisting of monies designated for capital maintenance project. Designated assets in the capital project fund represent cash and cash equivalents consisting of monies designated for West Liberty-Salem Building Project/OSFC Expedited Program.

The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

P. Use of Estimates

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

Q. Memorandum Only – Total Columns

Total columns on the General Purpose Financial Statements are captioned: Total-(Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Cash with Fiscal Agent: At year end, \$697 was on deposit in an account for unreimbursed medical claims.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$2,019,228 and the bank balance was \$2,194,302 (both amounts include \$450,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$203,508 was covered by federal depository insurance. The certificates of deposit were covered by a letter of credit.
2. \$1,990,794 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAROhio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
STAR Ohio	1,313	1,313

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents Deposits</u>	<u>Investments</u>
GASB Statement 9	\$1,570,541	\$450,000
Investments of the Cash Management Pool:		
Certificates of Deposit	450,000	(450,000)
STAR Ohio	(1,313)	1,313
Cash with Fiscal Agent	<u>(697)</u>	
GASB Statement 3	<u>\$2,019,228</u>	<u>\$1,313</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. INTERFUND TRANSACTIONS

The following is a summarized reconciliation of the District's operating transfers for fiscal year 2003:

Fund	Transfer In	Transfer (Out)
General Fund		\$270,250
Special Revenue Fund		
District Managed Activity	20,250	
Capital Projects Fund		
Classroom Facilities	<u>250,000</u>	
Total	<u>\$270,250</u>	<u>\$270,270</u>

5. INCOME TAX

During fiscal year 1986, voters of the District passed a .5% permanent income tax and a 1% renewable income tax that was first passed in 1192 and is subject for renewal every three years.

Employers of 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 2003 was \$1,362,460.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for calendar year 2003 are levied after April 1, 2002, on the assessed values as of January 1, 2002, 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 April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2003 were levied after April 1, 2002, on the assessed values as of December 31, 2001, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

The District receives property taxes from Champaign, Union, 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 Counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2003, was \$146,725 in the general fund, \$18,316 in the debt service fund, and \$4,346 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$83,763,590	88.6%	\$85,540,360	88.4%
Public Utility Personal	6,377,520	6.8%	6,880,010	7.1%
Tangible Personal Property	4,392,820	4.6%	4,367,105	4.5%
Total Assessed Value	\$94,533,930	100.00%	\$96,787,475	100.00%
Tax rate per \$1,000 of assessed valuation:				
Operations	\$33.60		\$33.50	
Debt Service	2.40		2.40	
Permanent Improvements	1.50		1.50	
Classroom Facilities	.50		.50	

7. RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charges services and student fees), accrued interest, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Property taxes – current and delinquent	\$2,107,650
Income Taxes	492,013
Special Revenue Funds	
Property taxes – current and delinquent	36,800
Due from other governments	12,217
Debt Service Fund	
Property taxes – current and delinquent	222,637
Capital Projects Funds	
Property taxes – current and delinquent	49,766

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$211,793
Less: Accumulated Depreciation	(184,916)
Net Fixed Assets	<u>\$26,877</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

	Balance July 1, 2003	Increase	Decrease	Balance June 30, 2003
Land and Improvements	\$799,842	\$6,500		\$806,342
Buildings and Improvements	9,154,154			9,154,154
Furniture, textures and equipment	1,372,332	196,011	(7,095)	1,561,248
Vehicles	613,936	172,052		785,988
Construction in progress	12,892	24,924		37,816
Total	<u>11,953,156</u>	<u>\$399,487</u>	<u>(7,095)</u>	<u>\$12,345,548</u>

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement System. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current school district rate is 14% 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 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$98,011, \$61,909 and \$41,630 respectively; 49.1% percent has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$101,424, which represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$ 499,661, \$ 349,317, and \$ 339,135, respectively; 81.6% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$92,192, which represents the unpaid contribution for fiscal year 2003. The District had no contributions under the Combined Plan and the DC Plan.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

10. POST RETIREMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five fiscal years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$88,840, for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. POST RETIREMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$38,435.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

11. BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget Basis	\$(521,164)	(\$96,314)	\$2,628	\$191,291
Adjustments:				
Revenue Accruals	19,832	(2,475)	4,891	940
Expenditure Accruals	(113,153)	13,781		(1,622)
Other Financing Sources/(Uses)	(8,213)	0		
Encumbrances	110,113	45,337		15,532
GAAP Basis	<u>\$(512,585)</u>	<u>(\$39,671)</u>	<u>\$7,519</u>	<u>\$206,141</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. LONG-TERM OBLIGATIONS

- A. The outstanding bonds were issued to provide funds for building additions and improvements, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of payment is derived from a current 3.00 mill bonded debt tax levy.

The following is a description of the District's general obligation bonds outstanding as of June 30, 2003:

Purpose	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding June 30, 2003	Amount (Retired) in 2003	Bonds Outstanding June 30, 2003
School Facility Bond	7.5 %	8/01/87	12/01/09	<u>\$1,120,000</u>	<u>\$(140,000)</u>	<u>\$980,000</u>

- B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2003, are as follows:

FY Year Ending	Principal on General Obligation Bonds	Interest on General Obligation Bonds	Total
2003	\$140,000	\$68,250	\$208,250
2004	140,000	57,750	197,750
2005	140,000	47,250	187,250
2006	140,000	36,750	176,760
2007	140,000	26,250	166,250
2080-2010	280,000	21,000	301,000
Total Principal and Interest	<u>\$980,000</u>	<u>\$257,250</u>	<u>\$1,237,250</u>

- C. 1986 Classroom Facilities Loan – In fiscal year 1986, the District received \$6,500,000 for construction and improvements to its facilities under the State's "Classroom Facilities Program." Under this program, the District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three year period. The District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$6,500,000 to the State because the District's adjusted valuation per pupil was less than the State-wide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.
- D. During the year ended June 30, 2003 the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated Absences	\$515,373	\$6,024	(\$17,202)	\$504,195
Pension Obligation Payable	67,293	85,183	(67,293)	85,183
General Obligation Bond Payable	1,120,000		(140,000)	980,000
Total	<u>\$1,702,666</u>	<u>\$91,207</u>	<u>\$(224,495)</u>	<u>\$1,569,378</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 or 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$7,858,043 (including available funds of \$127,170 and an unvoted debt margin of \$96,787).

13. ENTERPRISE FUND SEGMENT INFORMATION

The District maintains two enterprise funds to account for the operations of lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2003.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$301,814	\$15	\$301,829
Depreciation Expense	4,264		4,264
Operating Income (Loss)	(74,154)	(3,459)	(77,613)
Non-operating Revenue:			
Federal and State Subsidies	48,822		48,822
Interest Revenue	1,145		1,145
Donated Commodities	28,012		28,012
Net Income (Loss)	3,825	(3,459)	366
Net Working Capital	38,904	8,529	47,433
Fixed Assets			
Fixed Asset Additions	4,995		4,995
Total Assets	102,828	9,787	112,615
Long Term Liabilities payable from			
Fund revenues	6,138		6,138
Total Equity	59,643	8,529	68,172
Encumbrances at 6/30/03	314	1,824	2,138

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the District contracted with Utical National Insurance Group (through the Ohio School Boards Association) for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by Utica National Insurance Group are as follows:

Type of Coverage	
Building and Business Personal Property including EDP - replacement cost (\$2,500 deductible)	\$20,526,091
Marine Coverage (\$1,000 deductible)	250
Automobile Liability -(Comprehensive Deductibles – Buses - \$1,000, All Other - \$100; Collision Deductibles – Buses - \$1,000, All Other - \$250)	1,000,000
General Liability Per Occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceed this commercial coverage in any of the past thee fiscal years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2003.

B. Workers' Compensation

For fiscal year 2003, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 16). 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 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to the school districts that can meet the Program's selection criteria. The firm of Fates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

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 nine (9) school districts, educational service centers and Boards of Education. These plans are for active employees and their covered dependents. Amongst the nine 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 payment, and customer service at CoreSource's Westville, Ohio facility.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. RISK MANAGEMENT (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 9. As such, no funding provisions are required by the District.

15. 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 various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional function amount member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School – The Ohio Hi-Point Joint Vocational School District is a district political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists or a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Vocational School, Eric Adelsberger, who serves at 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 prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by the MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects is own board, adopts its own budget and receives Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. 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 (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 designed, 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the Program.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU) – CDMU sponsors self-insured medical plans for nine 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 nine 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 payment, and customer service at CoreSource's Westerville, Ohio facility.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) – SOEPC is a purchasing cooperative made up of nearly 100 school districts in Champaign and surrounding counties. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent, the Champaign County Educational Service Center. Payments to SOEPC are made from the District's general fund.

17. SET ASIDE DISCLOSURE

As stated in House Bill 412, revised in Senate Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

17. SET ASIDE DISCLOSURE (Continued)

	Textbooks	Capital Acquisition	Bureau of Worker's Compensatio n Refunds
Set-aside Cash Balance as of June 30, 2002	(\$81,216)	(\$211,008)	\$47,429
Current Year Set-aside Requirement	157,744	157,744	
Current Year Offsets	(81,219)	(307,816)	
Qualifying Disbursements	(149,734)	(101,413)	
Cash Balance Carried forward to FY 2003	(\$154,425)	(\$462,493)	\$47,429

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to carry forward the excess amount for the textbooks and capital acquisition set-asides to offset set-aside requirements of future years.

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2003, only the unspent portion of workers' compensation refunds continues to be set aside at fiscal year end. This balance must be spent according to S.B. 345.

18. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations

19. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

There are currently no matters in litigation with the district as defendant.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture <i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster: Food Donation	10.550	N/A		\$28,012		\$28,012
National School Lunch Program	10.555	LLP4-2002 LLP4-2003	5,786 41,283		5,786 41,283	
Total National School Lunch Program			<u>47,069</u>		<u>47,069</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			47,069	28,012	47,069	28,012
U.S. Department of Education <i>(Passed through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2002 C1S1-2003	6,201 31,380		21,021 27,025	
Total Title I Grants to Local Educational Agencies			<u>37,581</u>		<u>48,046</u>	
Special Education Grants to States	84.027	6BSF-2002 6BSF-2003	8,490 108,357		28,011 107,663	
Total Special Education Grants to States			<u>116,847</u>		<u>135,674</u>	
Safe and Drug Free Schools and Communities State Grants	84.186	DRS1-2002 DRS1-2003	3,760 3,760		2,374 875	
Total Safe and Drug Free Schools and Communities State Grants			<u>7,520</u>		<u>3,249</u>	
Eisenhower Professional Development State Grants	84.281	MSS1-2001			1,330	
Innovative Education Program Strategies	84.298	C2S1-2002 C2S1-2003	(5,784) 12,258		5,740 2,586	
Total Innovative Education Program Strategies			<u>6,474</u>		<u>8,326</u>	
Education Technology State Grants	84.318	TJS1-2003	1,157		1,027	
Improving Teacher Quality State Grants	84.367	TRS1-2003	22,758		22,758	
Reducing Class Size	84.340	CRSI-2001			3,307	
Assistive Technology Infusion Project Grant	84.352A	ATSI-2001 ATS2-2002 ATS3-2003	9,790 2,978		2,379 9,790 2,975	
Total Assistive Technology Infusion Project Grant			<u>12,768</u>		<u>15,144</u>	
Total U.S. Department of Education			<u>201,345</u>		<u>238,861</u>	
Total Federal Financial Assistance			<u>\$248,414</u>	<u>\$28,012</u>	<u>\$285,930</u>	<u>\$28,012</u>

The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B -- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C -- TRANSFER OF FUNDS BETWEEN COST CENTERS

The following transfer between fund cost centers was approved by the Ohio Department of Education.

Innovative Education Program Strategies, CFDA # 84.298

573-9002	Transfer Out	\$(5,784)
573-9003	Transfer In	\$ 5,784



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of West Liberty-Salem Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2003, and have issued our report thereon dated January 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 19, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of West Liberty-Salem Local School District, Champaign County, (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 are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 19, 2004

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title 1 Grants to Local Education Agencies: CFDA #84.010 Special Education Grants to States: CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Betty Montgomery**

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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
MARCH 11, 2004**