



Mary Taylor, CPA  
Auditor of State



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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

West Liberty Salem Local School District  
Champaign County  
7208 North US Route 68  
West Liberty, Ohio 43357

To the Board Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the West Liberty Salem Local School District, Champaign County, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal 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 12, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipt and expenditure schedule is 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 basic financial statements. We subjected the federal awards receipt and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

January 12, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

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

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$46,386 which represents a 0.66% decrease from 2007.
- General revenues accounted for \$10,042,796 in revenue or 78.75% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$2,710,479 or 21.25% of total revenues of \$12,753,275.
- The District had \$12,799,661 in expenses related to governmental activities; \$2,710,479 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,042,796 were not adequate to provide for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$11,216,547 in revenues and other financing sources and \$11,018,074 in expenditures and other financing uses. During fiscal year 2008, the General Fund's fund balance increased \$198,473 from \$1,989,882 to \$2,188,355.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

**Statement of Net Assets and the Statement of Activities**

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

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

The District's Statement of Net Assets and Statement of Activities can be found on pages 15-16 of this report.

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

**Fund Financial Statements**

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

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-46 of this report.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**The District as a Whole**

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Assets</b>		
Current and Other Assets	\$7,156,161	\$6,903,840
Capital Assets, Net	4,875,550	5,114,571
Total Assets	12,031,711	12,018,411
<b>Liabilities</b>		
Current Liabilities	3,729,463	3,661,676
Long-Term Liabilities	1,266,962	1,275,063
Total Liabilities	4,996,425	4,936,739
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	4,360,939	4,495,194
Restricted	531,012	772,490
Unrestricted	2,143,335	1,813,988
Total Net Assets	\$7,035,286	\$7,081,672

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$7,035,286. Of this total, \$2,143,335 is unrestricted in use.

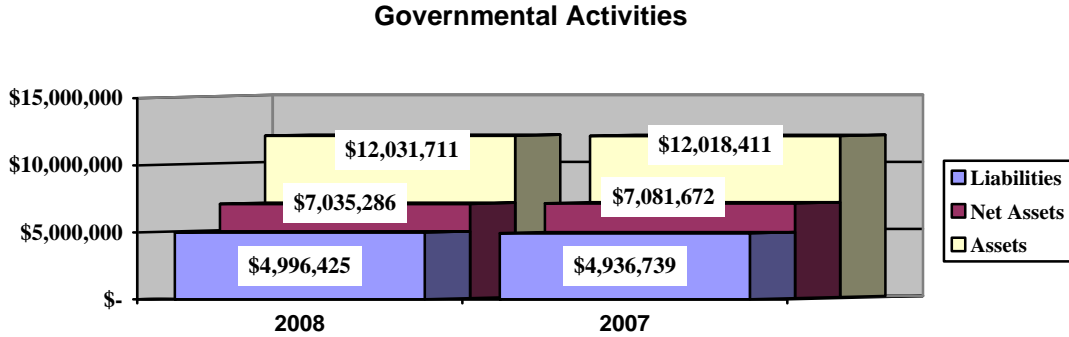
At year-end, capital assets represented 40.52% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$4,360,939. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$531,012 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,143,335 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

The graph below illustrates the District's assets, liabilities and net assets as reported on the Statement of Net Assets at June 30, 2008 and 2007:



The table below shows the change in net assets for fiscal year 2008 and 2007:

<b>Change in Net Assets</b>		
	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services and Sales	\$1,448,083	\$1,044,126
Operating Grants and Contributions	1,223,653	578,305
Capital Grants and Contributions	38,743	27,559
<b>General Revenues:</b>		
Property Taxes	2,536,891	2,339,532
Income Taxes	1,772,235	1,950,802
Grants and Entitlements	5,460,264	6,092,877
Investment Earnings	166,474	181,410
Other	106,932	104,545
<b>Total Revenues</b>	<b>12,753,275</b>	<b>12,319,156</b>
<b>Expenses:</b>		
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	4,613,898	4,237,640
Special	1,749,311	1,155,579
Vocational	183,818	163,969
Other	368,215	440,767

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Change in Net Assets  
(Continued)**

	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
<b>Expenses:</b>		
<b>Program Expenses: (Continued)</b>		
<b>Support Services:</b>		
Pupil	551,709	519,419
Instructional Staff	744,459	571,532
Board of Education	55,440	56,397
Administration	748,413	677,084
Fiscal	363,265	310,418
Business	18,014	18,014
Operations and Maintenance	994,081	922,283
Pupil Transportation	718,849	634,331
Central	222,150	168,076
<b>Operation of Non-Instructional Services:</b>		
Food Services Operations	554,207	532,891
Other Non-Instructional Services	313,941	313,541
Extracurricular Activities	564,555	477,406
Interest and Fiscal Charges	35,336	47,423
Total Expenses	<u>12,799,661</u>	<u>11,246,770</u>
Change in Net Assets	(46,386)	1,072,386
Net Assets at Beginning of Year	<u>7,081,672</u>	<u>6,009,286</u>
Net Assets at End of Year	<u><u>\$7,035,286</u></u>	<u><u>\$7,081,672</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$46,386. Total governmental expenses of \$12,799,661 were offset by program revenues of \$2,710,479 and general revenues of \$10,042,796. Program revenues supported 21.18% of the total governmental expenses.

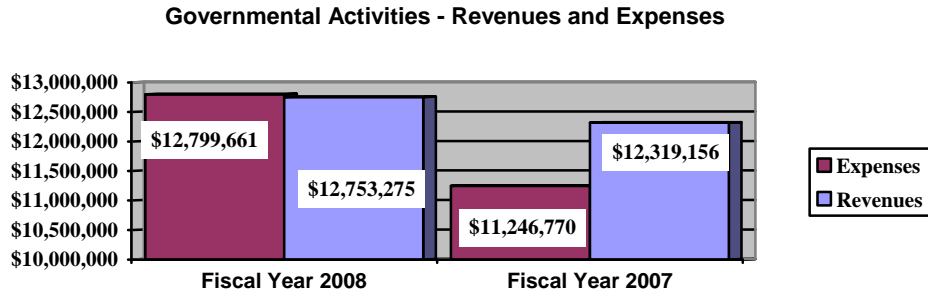
The primary sources of general revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 76.60% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,915,242 or 54.03% of total governmental expenses for fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.



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

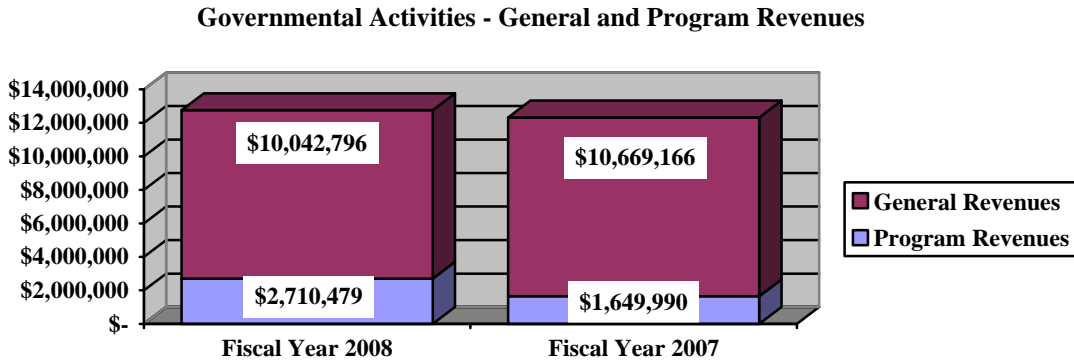
	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>
<b>Program Expenses</b>				
<b>Instruction:</b>				
Regular	\$ 4,613,898	\$ 4,040,430	\$ 4,237,640	\$3,767,800
Special	1,749,311	738,895	1,155,579	942,646
Vocational	183,818	140,879	163,969	162,614
Other	368,215	368,215	440,767	440,767
<b>Support Services:</b>				
Pupil	551,709	278,769	519,419	266,691
Instructional Staff	744,459	739,439	571,532	567,209
Board of Education	55,440	55,440	56,397	56,397
Administration	748,413	746,191	677,084	677,084
Fiscal	363,265	362,847	310,418	310,123
Business	18,014	18,014	18,014	18,014
Operations and Maintenance	994,081	977,488	922,283	910,803
Pupil Transportation	718,849	688,228	634,331	624,409
Central	222,150	222,150	168,076	168,076
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	554,207	27,783	532,891	(17,984)
Other Non-Instructional Services	313,941	303,941	313,541	303,941
Extracurricular Activities	564,555	345,137	477,406	350,767
Interest and Fiscal Charges	35,336	35,336	47,423	47,423
<b>Total Expenses</b>	<b>\$12,799,661</b>	<b>\$10,089,182</b>	<b>\$11,246,770</b>	<b>\$9,596,780</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.47% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.82%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2008 and 2007:



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,126,043, which is higher than last year's total of \$2,892,183. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<b>Fund Balance June 30, 2008</b>	<b>Fund Balance June 30, 2007</b>	<b>Increase</b>	<b>Percentage Change</b>
General	\$2,188,355	\$1,989,882	\$198,473	9.97%
Other Governmental	937,688	902,301	35,387	3.92%
<b>Total</b>	<b>\$3,126,043</b>	<b>\$2,892,183</b>	<b>\$233,860</b>	<b>8.09%</b>

**General Fund**

The District's General Fund's fund balance increased \$198,473. The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

	<b>2008 Amount</b>	<b>2007 Amount</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>	
<b>Revenues</b>					
Taxes	\$ 4,002,925	\$3,728,086	\$ 274,839	7.37	%
Earnings on Investments	166,474	166,831	(357)	(0.21)	%
Intergovernmental	6,205,171	6,125,171	80,000	1.31	%
Other Revenues	749,301	452,271	297,030	65.68	%
Total	<u>11,123,871</u>	<u>10,472,359</u>	<u>651,512</u>	6.22	%
<b>Expenditures</b>					
Instruction	6,672,339	5,723,165	949,174	16.58	%
Support Services	3,894,069	3,456,219	437,850	12.67	%
Extracurricular Activities	270,641	263,607	7,034	2.67	%
Capital Outlay	92,676		92,676	100.00	%
Debt Service	72,349	63,624	8,725	13.71	%
Total	<u>\$11,002,074</u>	<u>\$9,506,615</u>	<u>\$1,495,459</u>	15.73	%

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2008, the District amended its General Fund budget. For the General Fund, original budgeted revenues and other financing sources were \$10,603,953 and final budgeted revenues and other financing sources were \$10,753,212. Actual revenues and other financing sources for fiscal year 2008 were \$11,016,798. This represents a \$263,586 increase over final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) totaled \$10,951,160. The final budget appropriations (appropriated expenditures including other financing uses) were \$10,946,160. The actual budget basis expenditures for fiscal year 2008 totaled \$10,890,173, which is \$55,987 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the District had \$4,875,550 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 252,710	\$ 252,710
Land Improvements	77,773	87,077
Building and Improvements	3,469,387	3,523,034
Furniture and Equipment	607,255	574,430
Vehicles	460,610	418,066
Construction in Progress	7,815	259,254
<b>Total</b>	<b>\$4,875,550</b>	<b>\$5,114,571</b>

The overall decrease in capital assets is \$239,021. Depreciation expense of \$471,597 exceeded capital outlays of \$232,576 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

At June 30, 2008, the District had \$280,000 in general obligation bonds and \$234,611 in capital leases outstanding. Of this total, \$211,336 is due within one year and \$303,275 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

	<b>Outstanding Debt, at Year End</b>	
	<b>Governmental Activities 2008</b>	<b>Governmental Activities 2007</b>
General Obligation Bonds	\$280,000	\$420,000
Capital Lease Obligations	234,611	199,377
<b>Total</b>	<b>\$514,611</b>	<b>\$619,377</b>

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

**Current Financial Related Activities**

The District, like most other districts, faces many challenges in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property Taxes, Income Taxes (1/2% continuing, and a 1% for a three-year term) and Unrestricted State Aid. These three areas of revenue accounted for 91.01% of the General Fund revenue in fiscal year 2008, with Unrestricted State Aid providing the largest percentage (60.79%) of the three. Locally, the District has very little industry within the District boundaries, which makes the Real Estate Property Tax and Income Tax even more vital to the District's operation and existence. Thanks to the positive voter support, the 1% income tax was renewed in November 2007 for a three year period. Even with the income tax renewal, the District's Five-Year Forecast still shows a declining balance in 2012 and a negative balance in 2013. On the ballot in November 2008 will be the existing 1.5-mill Permanent Improvement Levy, which is up for renewal for a five year period. This levy generates approximately \$150,000, which is used for upkeep on the building and grounds, and to purchase at least one new school bus each year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

In addition to maintaining the Five-Year Forecast as required, the District has developed a Five-Year Strategic Plan. The vision of the District is a "quality staff providing support for student success", and the mission of the District is to be an "educational partnership dedicated to helping students reach their full potential". The Strategic Plan also includes the following four goals: 1. West Liberty-Salem Local Schools will achieve an excellent rating on the state report card and have 85% or more of students scoring proficient or higher and 50% or more of students scoring accelerated or advanced on the achievement and OGT tests while achieving Adequate Yearly Progress. 2. West Liberty-Salem Local Schools will be fiscally responsible by continually maintaining a minimum cash reserve equaling one month of expenditures. 3. West Liberty-Salem Local Schools will implement and execute the master plan to update the facilities to meet school and community needs by the summer of 2009. 4. West Liberty-Salem Local Schools will advance curriculum offerings to meet the needs of the 21st century global work place.

Based on two different bond issues that failed during November 2006 and May 2007, the District did become what is known as a lapsed district within the OSFC system, which means that the District must now first pass a bond issue before the OSFC will allocate their share of the project. The Board of Education continues to evaluate all aspects of this OSFC project in order to determine what their next step should be to take advantage of the OSFC funding share for the renovation / building project. The current building debt will be paid off in full on December 1, 2009, which may help in obtaining voter approval for a future bond issue.

In an effort to reduce costs during fiscal year 2008 and in future years, the District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. All areas of expense are reviewed for possible changes and reductions, including staffing. When any District staff member leaves the District due to retirement or for any other reason, the current administration is looking at all possible alternatives before hiring someone to replace that employee. In previous years, the District has reduced spending in their health insurance expense by having all employees switch from Plan A to Plan B, and in their equipment and supplies areas by reducing the amount being spent on equipment and supplies. However, due to the District and State spending requirements, the equipment and supplies areas have been increased for fiscal year 2008 to a level similar to what was being spent in previous years, prior to these reductions. In addition, rising utility costs including electricity, natural gas, and bus fuel have, and will continue to have, a negative impact. In years past, creating a positive impact on expenses was the health insurance consortium to which the District belongs. The District, along with seven other schools and two educational service centers, has had a very good experience in regards to rates, claims and discounts. The rates for fiscal year 2008 did increase by a little less than 7%. The outlook for fiscal year 2009 in regards to health care rates indicates that the rate increase will be right around 7% again. This increase, although higher than what we have had in the past three years, is still lower than the national average. Our rates are increasing due to our claims rising at a faster rate than had been anticipated. Over the last 13 years, the average rate increase for our consortium has been 8%.

Areas of concern for the District are the possibility of another unfunded mandate in regards to STRS trying to have the House and the Senate pass a phased-in rate increase of 2½% over the next five years. If approved, this would cost the District in excess of an additional \$400,000 over that five-year period. A second area of concern is in regards to what the new Biannual State budget for fiscal year 2010 and fiscal year 2011 will be. The state of the current economy and the fact that there have already been two budget reductions during this current two year budget cycle does not lead one to be very optimistic. On the positive side, it is somewhat encouraging that we do have a Governor who is committed to doing something about the school funding problem and has been holding public meetings in regards to this matter.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

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

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,958,532
Investments	700,000
<b>Receivables:</b>	
Property Taxes	2,602,546
Income Taxes	834,570
Accounts	100
Intergovernmental	38,595
Accrued Interest	380
Prepayments	2,214
Materials and Supplies Inventory	19,224
<b>Capital Assets:</b>	
Land	252,710
Construction in Progress	7,815
Depreciable Capital Assets, Net	4,615,025
Total Capital Assets, Net	4,875,550
Total Assets	12,031,711
<b>Liabilities:</b>	
Accounts Payable	153,418
Accrued Wages and Benefits	1,000,757
Pension Obligation Payable	249,953
Intergovernmental Payable	82,425
Accrued Interest Payable	9,824
Unearned Revenue	2,233,086
Long-Term Liabilities:	
Due Within One Year	342,073
Due Within More Than One Year	924,889
Total Liabilities	4,996,425
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	4,360,939
Restricted for:	
Capital Projects	162,868
Debt Service	185,264
Classroom Facilities Maintenance	33,998
State Funded Programs	2,399
Federally Funded Programs	26,326
Student Activities	49,047
Public School Support	23,681
Other Purposes	47,429
Unrestricted	2,143,335
Total Net Assets	\$7,035,286

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

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

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$4,613,898	\$548,485	\$4,055	\$20,928	(\$4,040,430)
Special	1,749,311	305,569	704,847		(738,895)
Vocational	183,818	8,360	34,579		(140,879)
Other	368,215				(368,215)
<b>Support Services:</b>					
Pupil	551,709	15,326	257,614		(278,769)
Instructional Staff	744,459		5,020		(739,439)
Board of Education	55,440				(55,440)
Administration	748,413		2,222		(746,191)
Fiscal	363,265		114	304	(362,847)
Business	18,014				(18,014)
Operations and Maintenance	994,081		5,593	11,000	(977,488)
Pupil Transportation	718,849		24,110	6,511	(688,228)
Central	222,150				(222,150)
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	554,207	355,925	170,499		(27,783)
Other Non-Instructional Services	313,941		10,000		(303,941)
Extracurricular Activities	564,555	214,418	5,000		(345,137)
Interest and Fiscal Charges	35,336				(35,336)
<b>Total Governmental Activities</b>	<b>\$12,799,661</b>	<b>\$1,448,083</b>	<b>\$1,223,653</b>	<b>\$38,743</b>	<b>(10,089,182)</b>
<b>General Revenues:</b>					
<b>Property Taxes Levied for:</b>					
					2,181,874
					42,232
					167,870
					144,915
<b>Income Taxes Levied for:</b>					
					1,772,235
					5,460,264
					166,474
					106,932
					10,042,796
					(46,386)
					7,081,672
					\$7,035,286

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

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,952,172	\$958,931	\$2,911,103
Investments	700,000		700,000
<b>Receivables:</b>			
Property Taxes	2,257,291	345,255	2,602,546
Income Taxes	834,570		834,570
Accounts	100		100
Intergovernmental	3,763	34,832	38,595
Accrued Interest	380		380
Pre-payments	2,214		2,214
Materials and Supplies Inventory	11,605	7,619	19,224
<b>Restricted Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	47,429		47,429
<b>Total Assets</b>	<u>5,809,524</u>	<u>1,346,637</u>	<u>7,156,161</u>
<b>Liabilities:</b>			
Accounts Payable	132,331	21,087	153,418
Accrued Wages and Benefits	943,708	57,049	1,000,757
Pension Obligation Payable	232,510	17,443	249,953
Intergovernmental Payable	78,372	4,053	82,425
Deferred Revenue	293,824	16,655	310,479
Unearned Revenue	1,940,424	292,662	2,233,086
<b>Total Liabilities</b>	<u>3,621,169</u>	<u>408,949</u>	<u>4,030,118</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	55,142	112,756	167,898
Reserved for Materials and Supplies Inventory	11,605	7,619	19,224
Reserved for Prepayments	2,214		2,214
Reserved for Debt Service		168,661	168,661
Reserved for Property Tax Unavailable for Appropriation	216,576	35,938	252,514
Reserved for BWC Refunds	47,429		47,429
<b>Unreserved:</b>			
Designation for WLS Building Project OSFC Expedited Program		305,057	305,057
Designated for Capital Maintenance	175,700		175,700
Undesignated, reported in:			
General Fund	1,679,689		1,679,689
Special Revenue Funds		249,435	249,435
Capital Projects Funds		58,222	58,222
<b>Total Fund Balances</b>	<u>2,188,355</u>	<u>937,688</u>	<u>3,126,043</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,809,524</u>	<u>\$1,346,637</u>	<u>\$7,156,161</u>

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

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

Total Governmental Fund Balances		\$3,126,043
Amounts Reported for Governmental Activities on the Statement of Net Assets are Different Because:		
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.		4,875,550
Other Long-Term Assets are not Available to Pay for Current- Period Expenditures and Therefore are Deferred in the Funds.		
Property Taxes	\$116,946	
Income Taxes	<u>193,533</u>	
Total		310,479
Accrued Interest Payable is not Due and Payable in the Current Period and Therefore is not Reported in the Funds.		(9,824)
Long-Term Liabilities, Including Bonds Payable, are not Due and Payable in the Current Period and Therefore are not Reported in the Funds.		
General Obligation Bonds	(280,000)	
Capital Lease Obligation	(234,611)	
Compensated Absences	<u>(752,351)</u>	
Total		<u>(1,266,962)</u>
Net Assets of Governmental Activities		<u><u>\$7,035,286</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
<b>From Local Sources:</b>			
Property Taxes	\$2,219,622	\$361,348	\$2,580,970
Income Taxes	\$1,783,303		1,783,303
Tuition	712,270		712,270
Earnings on Investments	166,474	20,272	186,746
Charges for Services		355,925	355,925
Classroom Materials and Fees		1,335	1,335
Extracurricular		228,929	228,929
Other Local Revenues	37,031	83,261	120,292
Intergovernmental - State	6,205,171	66,995	6,272,166
Intergovernmental - Federal		566,486	566,486
Total Revenue	<u>11,123,871</u>	<u>1,684,551</u>	<u>12,808,422</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	4,544,674	75,997	4,620,671
Special	1,586,478	152,283	1,738,761
Vocational	181,501		181,501
Other	359,686		359,686
<b>Support Services:</b>			
Pupil	267,417	278,165	545,582
Instructional Staff	715,589	2,489	718,078
Board of Education	38,661		38,661
Administration	652,393	2,318	654,711
Fiscal	336,103	6,344	342,447
Operations and Maintenance	902,160	85,284	987,444
Pupil Transportation	713,349		713,349
Central	268,397		268,397
Operation of Non-Instructional Services:			
Food Service Operations		557,080	557,080
Other Non-Instructional Services		10,000	10,000
Extracurricular Activities	270,641	291,745	562,386
Capital Outlay	92,676		92,676
Facilities Acquisition and Construction		37,209	37,209
<b>Debt Service:</b>			
Principal Retirement	57,442	140,000	197,442
Interest and Fiscal Charges	14,907	26,250	41,157
Total Expenditures	<u>11,002,074</u>	<u>1,665,164</u>	<u>12,667,238</u>
Excess of Revenues over Expenditures	<u>121,797</u>	<u>19,387</u>	<u>141,184</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In		16,000	16,000
Transfers (Out)	(16,000)		(16,000)
Proceeds of Capital Lease Transaction	92,676		92,676
Total Other Financing Sources (Uses)	<u>76,676</u>	<u>16,000</u>	<u>92,676</u>
Net Change in Fund Balances	198,473	35,387	233,860
Fund Balances at Beginning of Year	<u>1,989,882</u>	<u>902,301</u>	<u>2,892,183</u>
Fund Balances at End of Year	<u>\$2,188,355</u>	<u>\$937,688</u>	<u>\$3,126,043</u>

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds		\$233,860
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceed capital outlays in the current period.</p>		
Capital Asset Additions	\$232,576	
Depreciation Expense	<u>(471,597)</u>	
Total		(239,021)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property Taxes	(44,079)	
Income Taxes	<u>(11,068)</u>	
Total		(55,147)
<p>Proceeds of capital leases are recorded as an other financing source in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.</p>		
		(92,676)
<p>Repayment of bond and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.</p>		
		197,442
<p>Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is less due to a decrease in accrued interest payable on bonds.</p>		
		5,821
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(96,665)</u>
Change in Net Assets of Governmental Activities		<u><u>(\$46,386)</u></u>

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



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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Revenues:</b>				
<b>From Local Sources:</b>				
Property Taxes	\$2,020,970	\$2,049,417	\$2,099,653	\$50,236
Income Taxes	1,730,173	1,754,527	1,797,535	43,008
Tuition	685,578	695,228	712,270	17,042
Earnings on Investments	160,900	163,165	167,165	4,000
Other Local Revenues	22,801	23,122	23,689	567
Intergovernmental - State	5,970,761	6,054,803	6,203,219	148,416
Total Revenue	<u>10,591,183</u>	<u>10,740,262</u>	<u>11,003,531</u>	<u>263,269</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,516,105	4,482,050	4,477,036	5,014
Special	1,362,600	1,572,775	1,571,366	1,409
Vocational	194,833	198,693	198,045	648
Other	502,000	356,331	356,324	7
<b>Support Services:</b>				
Pupil	278,235	268,301	267,344	957
Instructional Staff	705,439	712,600	706,923	5,677
Board of Education	43,065	44,365	43,373	992
Administration	804,058	735,688	719,842	15,846
Fiscal	322,895	339,595	337,084	2,511
Operations and Maintenance	966,847	956,071	948,336	7,735
Pupil Transportation	675,137	708,287	702,255	6,032
Central	282,775	285,375	279,116	6,259
Extracurricular Activities	274,671	268,529	267,129	1,400
Total Expenditures	<u>10,928,660</u>	<u>10,928,660</u>	<u>10,874,173</u>	<u>54,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(337,477)</u>	<u>(188,398)</u>	<u>129,358</u>	<u>317,756</u>
<b>Other Financing Sources (Uses):</b>				
Transfers (Out)	(22,500)	(17,500)	(16,000)	1,500
Refund of Prior Year Expenditure	12,770	12,950	13,267	317
Total Other Financing Sources (Uses)	<u>(9,730)</u>	<u>(4,550)</u>	<u>(2,733)</u>	<u>1,817</u>
Net Change in Fund Balance	(347,207)	(192,948)	126,625	319,573
Fund Balance at Beginning of Year	2,391,437	2,391,437	2,391,437	
Prior Year Encumbrances Appropriated	59,198	59,198	59,198	
Fund Balance at End of Year	<u>\$2,103,428</u>	<u>\$2,257,687</u>	<u>\$2,577,260</u>	<u>\$319,573</u>

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

WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$68,317
Cash in Segregated Accounts	7217
Total Assets	<u>75534</u>
<b>Liabilities:</b>	
Accounts Payable	221
Due to Students	68096
Due to Others	7217
Total Liabilities	<u><u>\$75,534</u></u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 423<sup>rd</sup> largest by enrollment among the 896 districts in the state (including community schools), and the 3<sup>rd</sup> largest in Champaign County. It currently operates 1 building, which contains 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 87 certified and 64 non-certified employees to provide services to 1,237 students in grades K through 12 and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District 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 services, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization**

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of 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 a director, at 129 East Court Street, Sidney, Ohio 45365.

**Ohio Hi-Point Joint Vocational School**

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

**Metropolitan Educational Council**

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

**Southwestern Ohio Educational Purchasing Council**

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the General fund. During fiscal 2008, the District paid \$54,614 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Insurance Purchasing Pools**

**Ohio School Boards Association Workers' Compensation Group Rating Program**

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its workers' compensation premium to the state based on the rate for the Program rather than its individual rate. 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, and Union County Schools Insurance Consortium**

The Champaign, Delaware, Marion, and Union County Schools Insurance Consortium (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 school districts and educational service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative claims processing, claims payment, and customer service at CoreSource's facility in Dublin, Ohio.

**B. Fund Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds**

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

**General Fund**

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and fiduciary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

**2. Proprietary Funds**

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

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs.

The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's Agency Funds account for student activities and for employer and employee contributions to a medical reimbursement account.

**C. Basis of Presentation and Measurement Focus**

**1. Government-wide Financial Statements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**2. Fund Financial Statements**

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**2. Unearned Revenue and Deferred Revenue**

Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

**3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. By no later than January 20, the board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the General fund, and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function for the General fund, and by fund for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund or function appropriations for the General fund, or the total of any fund appropriations for all other funds, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level for the General Fund, and at the fund level for all other funds.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents", or "Investments", or both, on the basic financial statements. Cash held in a medical reimbursement account belonging to employees is reported as "Cash in Segregated Accounts" since it is not part of the District's pool.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposits, are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the General Fund, and to the Food Service Special Revenue Fund and the Classroom Facilities capital projects fund (non-major governmental funds). Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$166,474, which includes \$32,011 assigned from other funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal 2008, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Equipment and Furniture	5 - 20 years
Vehicles	4 - 6 years

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. At June 30, 2008, the District had no interfund receivables/payables.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. 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 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 severance payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, property tax revenue unavailable for appropriation, and BWC refunds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A portion of fund balance has also been designated for capital maintenance, and for the West Liberty-Salem (WLS) building project Ohio School Facilities Commission (OSFC) expedited program.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include monies set aside for BWC refunds. The District did not have assets restricted by enabling legislation.

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

**N. Prepayments**

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

**O. Estimates**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Restricted Assets**

Restricted assets in the General Fund represent cash and cash equivalents set-aside for BWC refunds. This reserve is required by state statute. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**S. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged or sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Non-major Governmental Fund</u>	<u>Deficit</u>
Drug Free School Grant	\$ 18
Improving Teacher Quality	5,418

The General Fund is liable for any deficits of funds and provides transfers when cash is required, not when accruals occur. This deficit fund balance is the result of adjustments for accrued liabilities.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

Protection of 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$3,626,591. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$200,000 of the District's bank balance of \$3,730,856 was covered by the Federal Deposit Insurance Corporation, while \$3,530,856 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. Investments**

At June 30, 2008, the District had the following investments and maturities:

<b>Investment</b>	<b>Fair Value</b>	<b>Investment Maturity 6 months or less</b>
STAR Ohio	\$107,475	\$107,475

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

**Credit Risk:** Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$107,475	100.00

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets at June 30, 2008:

<b>Cash and Investments per Note Disclosure</b>	
Carrying amount of deposits	\$3,626,591
Investments	107,475
Total	\$3,734,066

<b>Cash and Investments per Statement of Net Assets</b>	
Governmental activities	\$3,658,532
Agency funds	75,534
Total	\$3,734,066

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008 consisted of the following, as reported on the fund financial statements:

<u>Transfers from General Fund to:</u>	<u>Amount</u>
Non-major Governmental funds	\$16,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the statement of activities.

**6. PROPERTY TAXES**

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes.

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

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of January 1, 2007. For 2007, tangible personal property is assessed at 12.50% for property including inventory. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amounts available as an advance at June 30, 2008 were \$216,576 in the General Fund, \$17,354 in the Bond Retirement Debt Service Fund, \$14,495 in the Permanent Improvement Capital Projects Fund, and \$4,089 in the Classroom Facilities Maintenance Special Revenue Fund. These amounts have been recorded as revenue. The amounts available as an advance at June 30, 2007 were \$96,607 in the General Fund, \$10,919 in the Bond Retirement Debt Service Fund, \$7,206 in the Permanent Improvement Capital Projects Fund, and \$1,852 in the Classroom Facilities Maintenance Special Revenue Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. PROPERTY TAXES (Continued)**

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

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

	<b>2007 Second Half Collections</b>		<b>2008 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$ 95,976,870	91.46	\$ 106,503,850	92.27
Public utility personal	6,778,380	6.46	5,750,730	4.98
Tangible personal property	2,186,734	2.08	3,168,690	2.75
<b>Total</b>	<b>\$104,941,973</b>	<b>100.00</b>	<b>\$115,423,270</b>	<b>100.00</b>

**Tax rate per \$1,000 of assessed valuation:**

General operations	\$35.60	\$35.60
Debt service	6.32	6.32
Permanent improvements	1.50	1.50
Classroom facilities	0.50	0.50

**7. SCHOOL DISTRICT INCOME TAX**

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

Employers of the residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the General Fund for fiscal year 2008 was \$1,783,303.

**8. RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Property Taxes	\$2,602,546
Income Taxes	834,570
Accounts	100
Intergovernmental	38,595
Accrued Interest	<u>380</u>
<b>Total</b>	<b><u>\$3,476,191</u></b>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. CAPITAL ASSETS**

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

	<u>Balance 6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/08</u>
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 252,710			\$ 252,710
Construction in Progress	259,254		(\$251,439)	7,815
Total Capital Assets, Not Being Depreciated	<u>511,964</u>			<u>260,525</u>
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	479,676			479,676
Buildings and Improvements	9,183,060	\$251,439		9,434,499
Equipment and Furniture	1,167,974	162,021		1,329,995
Vehicles	972,044	70,555	(18,968)	1,023,631
Total Capital Assets, Being Depreciated	<u>11,802,754</u>	<u>484,015</u>	<u>(18,968)</u>	<u>12,267,801</u>
<b>Less: Accumulated Depreciation:</b>				
Land Improvements	(392,599)	(9,304)		(401,903)
Buildings and Improvements	(5,660,026)	(305,086)		(5,965,112)
Equipment and Furniture	(593,544)	(129,196)		(722,740)
Vehicles	(553,978)	(28,011)	18,968	(563,021)
Total Accumulated Depreciation	<u>(7,200,147)</u>	<u>(471,597)</u>	<u>18,968</u>	<u>(7,652,776)</u>
Total Capital Assets, Being Depreciated Net	<u>4,602,607</u>	<u>12,418</u>		<u>4,615,025</u>
Capital Assets, Net	<u>\$5,114,571</u>	<u>\$12,418</u>	<u>(\$251,439)</u>	<u>\$4,875,550</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 12,791
Other	8,034
<b>Support Services:</b>	
Pupil	1,012
Board of Education	16,779
Administration	89,077
Fiscal	1,500
Business	18,014
Pupil transportation	5,607
Central	12,636
Other Non-Institutional Services	303,941
Extracurricular Activities	1,853
Food Service Operations	353
Total Depreciation Expense	<u>\$471,597</u>

**10. CAPITAL LEASE - LESSEE DISCLOSURE**

On January 22, 2008, the District entered into a lease agreement for printers and equipment, and in prior years the District entered into a lease agreement for copiers and equipment. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting For Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. CAPITAL LEASE - LESSEE DISCLOSURE (Continued)**

Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. These expenditures are reflected as function expenditures on a budgetary basis. Governmental capital assets acquired by capital lease have been capitalized in the amount of \$358,709, which is equal to the present value of the future minimum payments at the date of the lease inception. As of June 30, 2008, accumulated depreciation totaled \$89,077 on these assets and the net book value equaled \$269,632. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal 2008, principal payments equaled \$57,442 and interest payments equaled \$14,907, for total debt service of \$72,349. These amounts are reflected as principal retirement and interest and fiscal charges expenditures in the fund financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008.

Year Ending June 30	Amount
2009	\$ 84,564
2010	84,564
2011	58,054
2012	20,940
2013	12,215
Total future minimum lease payments	260,337
Less: Amount representing interest	(25,726)
Present value of future minimum lease payments	\$234,611

**11. LONG-TERM OBLIGATIONS**

A. On August 1, 1987, the District issued \$3,060,000 in general obligation bonds. All current general obligation bonds outstanding, issued to provide funds for the construction of the school building and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these liabilities are recorded as expenditures in the Bond Retirement debt service fund (a non-major governmental fund). The source of payment is derived from a current 6.32 mill bonded debt tax levy.

B. The following is a description of the District's bonds outstanding as of June 30, 2008:

Purpose	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding 6/30/07	Retired in 2007	Bonds Outstanding 6/30/08
School Facility Bonds	7.50%	8/1/87	12/1/09	\$420,000	(\$140,000)	\$280,000

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

Year Ending June 30	Principal	Interest	Total
2009	\$140,000	15,750	155,750
2010	140,000	5,250	145,250
Total	\$280,000	\$21,000	\$301,000

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

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

	<b>Balance 6/30/07</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/08</b>	<b>Amounts Due in One Year</b>
General Obligation Bonds	\$ 420,000		(\$140,000)	\$ 280,000	\$140,000
Capital Lease Obligation	199,377	\$ 92,676	(57,442)	234,611	71,336
Compensated Absences Payable	655,686	137,132	(40,467)	752,351	130,737
Total Governmental Activities					
Long-Term Liabilities	<u>\$1,275,063</u>	<u>\$229,808</u>	<u>(\$237,909)</u>	<u>\$1,266,962</u>	<u>\$342,073</u>

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

**D. Legal Debt Margins**

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

The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a legal voted debt margin of \$9,491,362 (including available funds of \$186,015) and a legal unvoted debt margin of \$106,504 and a legal energy conservation debt margin of \$958,535.

**12. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the District contracted with EMC Insurance Companies (through the Insurance Center of Springfield) for property and fleet insurance, liability insurance, and inland marine coverage. Coverages provided by EMC Insurance Companies are as follows:

<b>Type of Coverage</b>	<b>Amount</b>
Building and Business Personal Property including EDP	\$22,734,342
Replacement cost (\$2,500 deductible)	
Marine coverage (\$1,000 deductible)	100,000
Automotive Liability	
Comprehensive deductibles: buses - \$500, all other - \$100	
Collision deductible: buses - \$500, all other \$250	1,000,000
General Liability:	
Per Occurrence	1,000,000
Total per year	3,000,000

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2008.

**B. Workers' Compensation**

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. 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 Districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Program.

Effective July 1, 2004, the District will no longer be a member of OSBA Group 1. Due to a major lost-time claim, the District has become a penalty rated district and has become part of the premium discount program offered by the Bureau of Workers' Compensation.

**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 payments, and customer service at CoreSource's facility in Dublin, Ohio. Medical Mutual is the PPO provider for the CDMU.

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

**13. PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. PENSION PLANS (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$138,763, \$140,643, and \$134,607; 46.99 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

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

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

**Funding Policy** - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**13. PENSION PLANS (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$596,380, \$576,057 and \$556,312, respectively; 83.25 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,648 made by the District and \$10,646 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**14. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The District participates in two cost-sharing, multiple employer post-employment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$22,587.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$63,322, \$74,634, and \$68,016, respectively; 46.99 percent has been contributed for fiscal year 2008, and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$9,998, \$9,564, and \$10,714, respectively; 46.99 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.



**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**14. POST-EMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System of Ohio**

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007 and 2006 were \$45,875, \$44,312, and \$42,793, respectively; 83.25 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**15. BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

<b>Net Change in Fund Balance</b>	<b>General Fund</b>
Budget basis	\$126,625
Net adjustment for revenue accruals	120,340
Net adjustment for expenditure accruals	(250,242)
Net adjustment for other sources/uses	79,409
Adjustment for encumbrances	122,341
GAAP basis	\$198,473

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**16. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**17. STATUTORY RESERVES**

As stated in House Bill 412, and 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.

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>BWC Refunds</u>
Set-aside balance at June 30, 2007	(\$102,125)		\$47,429
Current year set-aside requirement	190,158	\$190,158	
Current year offsets		(206,304)	
Current year qualifying expenditures	<u>(367,793)</u>	<u>(22,915)</u>	
Set-aside balance at June 30, 2008	<u>(279,760)</u>	<u>(39,061)</u>	<u>47,429</u>
Balance carried forward to FY2009	<u>(\$279,760)</u>	<u>\$ 0</u>	<u>\$47,429</u>

The District had qualifying disbursements during the year that reduced the instructional materials and capital maintenance set-aside amounts to below zero. The District may, and has chosen to, carry forward the excess amount for the instructional materials set-asides to offset set-aside requirements of future years. The excess for the capital maintenance set-aside may not be carried forward to offset future requirements.

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2008, 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.

A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for BWC refunds	<u>\$47,429</u>
Total restricted assets	<u><u>\$47,429</u></u>

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Donation	N/A	10.550		\$22,131		\$22,131
Nutrition Cluster: School Breakfast Program	2008	10.553	\$6,608		\$6,608	
National School Lunch Program	2007	10.555	10,295		10,295	
	2008		96,337		96,337	
Total National School Lunch Program			106,632		106,632	
Total U. S. Department of Agriculture			113,240	22,131	113,240	22,131
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Safe and Drug-Free Schools and Communities State Grants	2007	84.186	(107)			
	2008		3,370		3,370	
Total Safe & Drug-Free Schools and Communities			3,263		3,370	
Special Education Grants to States	2007	84.027	(6,185)		11,006	
	2008		258,798		242,300	
Total Special Education Grants to States			252,613		253,306	
Title 1 Grants to Local Educational Agencies	2007	84.010	35,694		46,806	
	2008		83,567		69,391	
Total Title 1 Grants to Local Educational Agencies			119,261		116,197	
State Grants for Innovative Programs	2008	84.298	2,590		1,763	
Education Technology State Grants	2007	84.318			101	
	2008		792		792	
Total Education Technology State Grants			792		893	
Improving Teacher Quality State Grants	2008	84.367	28,097		28,097	
Total U. S. Department of Education			406,616		403,626	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$519,856</b>	<b>\$22,131</b>	<b>\$516,866</b>	<b>\$22,131</b>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – U.S. DEPARTMENT OF AGRICULTURE**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFER OF FUNDS BETWEEN COST CENTERS**

The following transfers between grant years were approved by the Ohio Department of Education. The School District accounting records distinguish between different grant years by using a different cost center. The approved transfers allow unspent grant monies to be carried forward into the next grant period.

<u>Grant and CFDA # / Fund, Cost Center</u>	<u>Transfer out</u>	<u>Transfer in</u>
Title 1, Grants to Local Educational Agencies # 84.010		
572-9206	(\$ 622)	
572-9207		622
Special Education Grants to States #84.027		
516-9206	(6,185)	
516-9207		6,185
Safe and Drug-Free Schools and Communities State Grants #84.186		
584-9206	( 107)	
584-9207		107

**NOTE E – TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES**

The District receives funding for the Neglected Title 1 program. These are reported as part of CFDA 84.010 - Title 1 Grants to Local Educational Agencies grant on the Schedule of Federal Awards Receipts and Expenditures.



# Mary Taylor, CPA

Auditor of State

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

West Liberty Salem Local School District  
Champaign County  
7208 North US Route 68  
West Liberty, Ohio 43357

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of West Liberty Salem Local School District, Champaign County, (the District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 12, 2009



# Mary Taylor, CPA

Auditor of State

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

West Liberty Salem Local School District  
Champaign County  
7208 North US 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 apply to each of its major federal programs for the fiscal year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the West Liberty Salem Local School District, Champaign County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the fiscal year ended June 30, 2008.

In a separate letter to the District's management dated January 12, 2009, we reported a matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 12, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

January 12, 2009



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	CFDA #84.010 Title 1 Grants to Local Educational Agencies CFDA #84.027 Special Education Grants to States
<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





**Mary Taylor, CPA**  
Auditor of State

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2009**