



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of West Liberty-Salem Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of West Liberty-Salem Local School District, Champaign County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 6, 2002

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30,2002**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$899,421	\$182,800	\$106,226	\$360,140
Investments	550,000			
Cash With Fiscal Agent				
Receivables:				
Property Taxes	2,042,972	42,582	224,508	48,393
Income Taxes	493,752			
Accounts	26			
Accrued Interest	2,499			
Due From Other Governments		14,691		
Materials and Supplies Inventory	11,469			
Prepaid Items	4,104			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,429			
Fixed Assets (Net, where applicable of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u>4,051,672</u>	<u>240,073</u>	<u>330,734</u>	<u>408,533</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	110,689	9,440		
Accrued Wages and Benefits	686,578	16,611		
Pension Obligation Payable	106,372			
Due to Other Governments	18,207	426		
Due to Students				
Deferred Revenue	1,929,862	42,582	211,083	44,987
Compensated Absences Payable	8,716			
Deposits Held and Due to Others				
General Obligation Bonds Payable				
Total Liabilities	<u>2,860,424</u>	<u>69,059</u>	<u>211,083</u>	<u>44,987</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings				
Fund Balances:				
Reserved:				
Reserved for Property Taxes	113,110		13,425	3,406
Reserved BWC Refunds	47,429			
Reserved for Encumbrances	268,531	44,070		26,937
Reserved for Materials and Supplies Inventory	11,469			
Reserved for Prepaid Items	4,104			
Reserved for Debt Service Principal			106,226	
Designated for Capital Maintenance	175,700			
Designated for WLS Building Project OSFC Expedited Program				291,435
Unreserved, Undesignated	570,905	126,944		41,768
Total Fund Equity and Other Credits	<u>1,191,248</u>	<u>171,014</u>	<u>119,651</u>	<u>363,546</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$4,051,672</u>	<u>\$240,073</u>	<u>\$330,734</u>	<u>\$408,533</u>

Proprietary Fund Types	Internal Service	Fiduciary Fund Types Trust and Agency	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Obligations	
\$77,283	\$1,821	\$48,194			\$1,675,885
		697			550,000
					697
					2,358,455
					493,752
					26
					2,499
8,177					14,691
					19,646
					4,104
					47,429
26,146			11,953,156		11,979,302
				119,651	119,651
				1,583,015	1,583,015
<u>111,606</u>	<u>1,821</u>	<u>48,891</u>	<u>11,953,156</u>	<u>1,702,666</u>	<u>18,849,152</u>
401					120,530
21,845					725,034
12,232				67,293	185,897
506					19,139
		48,138			48,138
					2,228,514
8,816				515,373	532,905
		697			697
				1,120,000	1,120,000
<u>43,800</u>		<u>48,835</u>	<u>0</u>	<u>1,702,666</u>	<u>4,980,854</u>
67,806	1,821		11,953,156		11,953,156
					69,627
					129,941
					47,429
					339,538
					11,469
					4,104
					106,226
				-	175,700
				-	291,435
		56			739,673
<u>67,806</u>	<u>1,821</u>	<u>56</u>	<u>11,953,156</u>		<u>13,868,298</u>
<u>\$111,606</u>	<u>\$1,821</u>	<u>\$48,891</u>	<u>\$11,953,156</u>	<u>\$1,702,666</u>	<u>\$18,849,152</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum) Only</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Property & Other Local Taxes	\$1,763,347	\$36,929	\$203,934	\$44,878		\$2,049,088
Income Tax	1,400,638					1,400,638
Tuition and Fees	19,256					19,256
Earnings on Investments	86,537			4,327		90,864
Extracurricular		125,476				125,476
Other Local Revenue	25,564	29,193				54,757
Other Revenue		1,100				1,100
Intergovernmental - State	4,977,474	41,952	22,542	41,678		5,083,646
Intergovernmental - Federal		165,044				165,044
Total Revenues	<u>8,272,816</u>	<u>399,694</u>	<u>226,476</u>	<u>90,883</u>		<u>8,989,869</u>
Expenditures:						
Current:						
Instruction						
Regular	3,479,573	4,377				3,483,950
Special	877,623	81,448				959,071
Vocational	137,690					137,690
Other	282,896					282,896
Support services:						
Pupil	305,299	87,352				392,651
Instructional Staff	581,079	19,700				600,779
Board of Education	34,569					34,569
Administration	623,369	1,925				625,294
Fiscal	227,506	813	3,938	1,021		233,278
Operation and Maintenance of Plant	718,579	23,312		55,504		797,395
Pupil Transportation	410,481	978				411,459
Central	349,752					349,752
Community Services		20,742				20,742
Extracurricular activities	201,731	153,754				355,485
Facilities Services				35,844		35,844
Debt Service:						
Principal Retirement			140,000			140,000
Interest Charges			89,250			89,250
Total Expenditures	<u>8,230,147</u>	<u>394,401</u>	<u>233,188</u>	<u>92,369</u>		<u>8,950,105</u>
Excess of Revenues Over (Under) Expenditures	<u>42,669</u>	<u>5,293</u>	<u>(6,712)</u>	<u>(1,486)</u>		<u>39,764</u>
Other Financing Sources and Uses						
Operating Transfers In		3,000		300,000		303,000
Operating Transfers Out	(303,000)					(303,000)
Total Other Financing Sources (Uses)	<u>(303,000)</u>	<u>3,000</u>		<u>300,000</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(260,331)	8,293	(6,712)	298,514		39,764
Fund Balance at Beginning of Year	1,452,693	162,721	126,363	65,032	56	1,806,865
Decrease in Reserve for Inventory	(1,114)					(1,114)
Fund Balance at End of Year	<u>\$1,191,248</u>	<u>\$171,014</u>	<u>\$119,651</u>	<u>\$363,546</u>	<u>\$56</u>	<u>\$1,845,515</u>

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

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Property Taxes	\$1,864,508	\$1,751,714	(\$112,794)
Income Tax	1,418,618	1,435,647	17,029
Tuition	28,000	24,727	(3,273)
Interest	168,000	84,038	(83,962)
Extracurricular			
Other Local Revenues	34,000	25,479	(8,521)
Other Revenue			
Intergovernmental - State	4,740,811	4,977,473	236,662
Intergovernmental - Federal			
Total Revenues	8,253,937	8,299,078	45,141
Expenditures:			
Current:			
Instruction:			
Regular	3,512,607	3,508,224	4,383
Special	879,382	871,895	7,487
Vocational	136,425	132,083	4,342
Other	283,100	282,896	204
Support services:			
Pupil	317,545	309,309	8,236
Instructional Staff	639,476	631,973	7,503
Board of Education	43,060	40,810	2,250
Administration	659,013	636,563	22,450
Fiscal	229,390	227,810	1,580
Operation and Maintenance of Plant	737,859	726,100	11,759
Pupil Transportation	595,420	588,339	7,081
Central	356,055	353,034	3,021
Community Services			
Extracurricular activities	204,529	202,645	1,884
Facilities Services			
Debt Service:			
Principal Retirement			
Interest Charges			
Total Expenditures	8,593,861	8,511,681	82,180
Excess of Revenues Over (Under) Expenditures	<u>(339,924)</u>	<u>(212,603)</u>	<u>127,321</u>
Other Financing Sources and Uses			
Refund of Prior Year Expenditures	5,000	59	(4,941)
Advances In	5,000		(5,000)
Advances Out	(5,000)		5,000
Transfers In	35,000		
Transfers Out	(303,000)	(303,000)	
Total Other Financing Sources (Uses)	(263,000)	(302,941)	(39,941)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(602,924)	(515,544)	87,380
Fund Balance at Beginning of Year	1,508,043	1,508,043	
Prior Year Encumbrances Appropriated	170,319	170,319	
Fund Balance at end of Year	\$1,075,438	\$1,162,818	\$87,380

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

Governmental Fund Types								
Special Revenue			Debt Service			Capital Projects		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$37,950	\$36,929	(\$1,021)	\$218,000	\$206,560	(\$11,440)	\$48,300	\$45,892	(\$2,408)
							4,327	4,327
119,005	125,476	6,471						
24,325	29,193	4,868						
1,100	1,100							
46,448	41,952	(4,496)	21,500	22,542	1,042	40,080	41,678	1,598
163,503	150,353	(13,150)						
<u>392,331</u>	<u>385,003</u>	<u>(7,328)</u>	<u>239,500</u>	<u>229,102</u>	<u>(10,398)</u>	<u>88,380</u>	<u>91,897</u>	<u>3,517</u>
10,550	4,373	6,177				36,480		36,480
98,889	74,915	23,974						
121,671	87,375	34,296						
29,316	26,010	3,306						
2,936	1,936	1,000						
950	813	137	4,000	3,938	62	1,045	1,021	24
89,338	67,665	21,673				82,788	82,440	348
975	975	0						
23,383	21,959	1,424						
182,377	162,210	20,167						
						325,465	35,844	289,621
			140,000	140,000				
			89,250	89,250				
<u>560,385</u>	<u>448,231</u>	<u>112,154</u>	<u>233,250</u>	<u>233,188</u>	<u>62</u>	<u>445,778</u>	<u>119,305</u>	<u>326,473</u>
<u>(168,054)</u>	<u>(63,228)</u>	<u>104,826</u>	<u>6,250</u>	<u>(4,086)</u>	<u>(10,336)</u>	<u>(357,398)</u>	<u>(27,408)</u>	<u>329,990</u>
8,000	3,000	(5,000)				300,000	300,000	
<u>8,000</u>	<u>3,000</u>	<u>(5,000)</u>				<u>300,000</u>	<u>300,000</u>	
(160,054)	(60,228)	99,826	6,250	(4,086)	(10,336)	(57,398)	272,592	329,990
161,956	161,956		110,312	110,312		52,126	52,126	
27,640	27,640					8,485	8,485	
<u>\$29,542</u>	<u>\$129,368</u>	<u>\$99,826</u>	<u>\$116,562</u>	<u>\$106,226</u>	<u>(\$10,336)</u>	<u>\$3,213</u>	<u>\$333,203</u>	<u>\$329,990</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Operating Revenues:			
Tuition and Fees	\$40		\$40
Sales/Charges for Services	258,074	39,312	297,386
Other Operating Revenue	47,155	15,063	62,218
Total Operating Revenues	<u>305,269</u>	<u>54,375</u>	<u>359,644</u>
Operating Expenses			
Personal Services	167,369		167,369
Contract Services	8,583	53,486	62,069
Materials and Supplies	191,932	150	192,082
Depreciation	3,383		3,383
Other	792		792
Total Operating Expenses	<u>372,059</u>	<u>53,636</u>	<u>425,695</u>
Operating Income (Loss)	(66,790)	739	(66,051)
Non-Operating Revenues			
Interest Revenue	1,918		1,918
Federal and State Subsidies	55,901		55,901
Federal Donated Commodities	25,126		25,126
Total Non-Operating Revenues	<u>82,945</u>		<u>82,945</u>
Net Income	16,155	739	16,894
Retained Earnings at Beginning of Year	51,651	1,082	52,733
Retained Earnings at End of Year	<u><u>\$67,806</u></u>	<u><u>\$1,821</u></u>	<u><u>\$69,627</u></u>

Non-Cash Transactions

During fiscal year 2002, the District received donated commodities, in the amount of \$25,126.

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

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

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total (Memorandum Only)</u>
Increase(Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Cash Received from Tuition and Fees	\$40		\$40
Cash Received from Sales/Charges for Services	258,074	39,312	297,386
Cash Received from Other Operations	47,155	15,063	62,218
Cash Payments for Personal Services	(164,138)		(164,138)
Cash Payments for Contract Services	(8,583)	(53,486)	(62,069)
Cash Payments for Supplies and Materials	(170,706)	(150)	(170,856)
Cash Payments for Other Expenses	(791)		(791)
Net Cash Provided (Used) by Operating Activities	<u>(38,949)</u>	<u>739</u>	<u>(38,210)</u>
Cash Flows from Noncapital Financing Activities:			
Cash from Federal & State Subsidies	55,901		55,901
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(17,430)		(17,430)
Cash Flows from Investing Activities:			
Interest Received	<u>1,918</u>		<u>1,918</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,440	739	2,179
Cash and Cash Equivalents at Beginning of Year	<u>75,843</u>	<u>1,082</u>	<u>76,925</u>
Cash and Cash Equivalents at End of Year	<u><u>77,283</u></u>	<u><u>1,821</u></u>	<u><u>79,104</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(66,790)	739	(66,051)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:			
Depreciation	3,383		3,383
Federal Donated Commodities Used During the Year	25,126		25,126
Changes in Assets and Liabilities:			
Decrease in Materials and Supplies Inventory	291		291
Increase in Accounts Payable	141		141
Increase in Accrued Wages and Benefits	476		476
Increase in Compensated Absences Payable	1,179		1,179
Increase in Pension Obligation Payable	1,070		1,070
Increase in Due to Other Governments	506		506
Decrease in Deferred Revenue	(4,331)		(4,331)
Total Adjustments	<u>27,841</u>		<u>27,841</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(\$38,949)</u></u>	<u><u>\$739</u></u>	<u><u>(\$38,210)</u></u>

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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 454th largest by enrollment among the 705 districts in the state, and the 3rd largest in Champaign County. It currently operates 1 building, which contains 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 63 noncertified and 81 certified employees to provide services to 1,169 students in grades K through 12 and various community groups.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with three jointly governed organizations and three group purchasing pools. These organizations include the Ohio Hi-Point Joint Vocational District, the Western Ohio Computer Organization, the West Central Ohio Special Education Regional Resource Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, the Champaign, Delaware, Marion and Union Schools Consortium and the Southwestern Ohio Educational Purchasing Cooperative. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Fund

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue

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

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

C. Budgetary Process

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

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

1. Tax Budget

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of estimated resources that was in effect at the time of the final appropriations were passed by the Board of Education.

3. Appropriations

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

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to State Treasury Asset Reserve of Ohio (STAROhio) and certificates of deposit. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment 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, 2002.

Following Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$86,537, which includes \$20,068 assigned from other District funds.

For purposes of the Combined Statement of Cash Flows and for presentation of the Combined Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Inventory

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

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

F. Prepaid Items

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. These restricted assets represent Bureau of Workers' Compensation (BWC) refunds who use is restricted by state statute. A fund balance reserve has also been established (See Note 18).

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

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

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

I. Intergovernmental Revenues

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Fund

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

LPDC Block Grant
Teacher Development
Education Management Information Systems
OECN Network Connectivity
School Net Professional Development
Ohio Reads
Summer School Subsidy
Safe Schools
Eisenhower
Title VI-B
Title I
Title VI
Drug-Free Schools
Title VI Classroom Reduction
Raising the Bar

Capital Projects Funds

Ohio School Net Praise Grant
Tech Equity

Reimbursable Grants

General Fund

Vocational Education
School Bus Purchase Program

Enterprise Funds

National School Lunch Program
National School Milk Program
Government Donated Commodities

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Interfund Transactions

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

M. Statement of Cash Flows

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

N. Financial Reporting for Proprietary and Similar Fund Types

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

O. Fund Balance Reserves and Designations

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

P. Use of Estimates

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

Q. Memorandum Only - Total Columns

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

3. ACCOUNTABILITY AND COMPLIANCE

At June 30, 2002, the District had the following individual fund deficit:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Reducing Class Size	\$93

The deficit fund balance in the Reducing Class Size special revenue fund is caused by accruing wage obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

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

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 services shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$2,272,019 and the bank balance was \$2,408,735 (both amounts include \$550,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$203,530 was covered by federal deposit insurance. The certificates of deposit were covered by a letter of credit.
2. \$1,655,205 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

	Carrying Value	Market Value
Star Ohio	\$1,295	\$1,295

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

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$ 1,724,011	\$550,000
Investments of the Cash Management Pool:		
Certificates of Deposit	550,000	(550,000)
STAR Ohio	(1,295)	1,295
Cash with Fiscal Agent	(697)	<u>0</u>
GASB Statement 3	<u>\$ 2,272,019</u>	<u>\$ 1,295</u>

5. INTERFUND TRANSACTIONS

The following is a summarized reconciliation of the District's operating transfers for fiscal year 2002:

Fund	Transfers In	Transfers (Out)
General Fund		<u>\$(303,000)</u>
Special Revenue		
Fund	3,000	
Capital Projects Fund		
Classroom Facilities	<u>\$300,000</u>	
Total	<u>\$303,000</u>	<u>\$(303,000)</u>

6. INCOME TAX

During fiscal year 1986, voters of the District passed a .5% continuing income tax and a 1% renewable income tax that was first passed in 1992 and is subject for renewal every three years.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the General Fund for fiscal year 2002 was \$1,400,638.

7. PROPERTY TAXES

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes for calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes for calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2002, was \$113,110 in the general fund, \$13,425 in the debt service fund, and \$3,406 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 2002 taxes are being collected are:

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

	2001 Second-Half		2002 First-Half	
	Calendar Year Collections <u>Amount</u>	Percent <u>Percent</u>	Calendar Year Collections <u>Amount</u>	Percent <u>Percent</u>
Agricultural/Residential and Other Real Estate	\$70,796,920	88.23	\$83,763,590	88.61
Public Utility Personal	8,579,790	6.21	6,377,520	6.75
Tangible Personal Property	<u>4,671,999</u>	<u>5.56</u>	<u>4,392,820</u>	4.64
	<u>\$84,048,709</u>	<u>100.00</u>	<u>\$94,533,930</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$33.60		\$33.60	
Debt Service	2.40		2.40	
Permanent Improvements	1.50		1.50	
Classroom Facilities	.50		.50	

8. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Property Taxes - Current & Delinquent	\$2,042,972
Income Taxes	493,752
Special Revenue Funds	
Property Taxes - Current & Delinquent	42,582
Due From Other Governments	14,691
Debt Service Fund	
Property Taxes - Current & Delinquent	224,508
Capital Projects Funds	
Property Taxes - Current & Delinquent	48,393

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$206,798
Less: Accumulated Depreciation	<u>(180,652)</u>
Net Fixed Assets	<u>\$26,146</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$799,842			\$799,842
Buildings and Improvements	9,154,154			9,154,154
Furniture, Fixtures and Equipment	1,102,006	295,454	(25,128)	1,372,332
Vehicles	613,936			613,936
Construction in Progress		12,892		12,892
Total General Fixed Assets	<u>\$11,669,938</u>	<u>308,346</u>	<u>(25,128)</u>	<u>\$11,953,156</u>

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement benefits 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 State statute per 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, Columbus, Ohio 43215-3746

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14%; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by statute. The adequacy of the contribution rate is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$61,909, \$41,630 and \$50,221, respectively; 41.8% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$86,196, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits and disability, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$349,317, \$339,135, and \$189,555, respectively; 81.2% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$80,800, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

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

For the fiscal year ended June 3, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$115,103 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001(the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the board allocated employer contributions equal to 4.5 percent; of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$165,466.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

12. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$(515,544)	(\$60,228)	(\$4,086)	\$272,592
Adjustments:				
Revenue Accruals	(26,262)	14,691	(2,626)	(1,014)
Expenditure Accruals	(52,498)			(1)
Other Financing Sources/(Uses)	(59)	398		
Encumbrances	334,032	53,432		26,937
GAAP Basis	<u>\$(260,331)</u>	<u>\$8,293</u>	<u>\$(6,712)</u>	<u>\$298,514</u>

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

13. LONG-TERM OBLIGATIONS

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

The following is a description of the District's general obligation bonds outstanding as of June 30, 2002:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding July 1, 2001</u>	<u>Amount (Retired) in 2002</u>	<u>Bonds Outstanding June 30, 2002</u>
School Facility Board	7.50%	8/01/87	12/01/09	\$1,260,000	\$(140,000)	\$1,120,000

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2002, are as follows:

<u>FY Year Ending</u>	<u>Principal On General Obligation Bonds</u>	<u>Interest On General Obligation Bonds</u>	<u>Total</u>
2003	\$140,000	\$78,750	\$218,750
2004	140,000	68,250	208,250
2005	140,000	57,750	197,750
2006	140,000	47,250	187,250
2007	140,000	36,750	176,750
2008 – 2010	<u>420,000</u>	<u>47,250</u>	<u>467,250</u>
Total Principal and Interest	<u>\$1,120,000</u>	<u>\$336,000</u>	<u>\$1,456,000</u>

C. 1986 Classroom Facilities Loan - In fiscal year 1986, the District received \$6,500,000 for construction and improvements to its facilities under the State's "Classroom Facilities Program." Under this program, the District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three year period. The District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$6,500,000 to the State because the District's adjusted valuation per pupil was less than the State-wide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the District must maintain a maintenance plan until the twenty-three year period expires.

D. During the year ended June 30, 2002 the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

13. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Compensated Absences	\$ 500,423	\$27,891	(\$ 12,941)	\$ 515,373
Pension Obligation Payable	64,197	67,293	(64,197)	67,293
General obligation Bond Payable	<u>1,260,000</u>		<u>(140,000)</u>	<u>1,120,000</u>
Total	<u>\$1,824,620</u>	<u>\$95,184</u>	<u>(\$217,138)</u>	<u>\$1,702,666</u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$7,523,071 (including available funds of \$119,651) and an unvoted debt margin of \$94,705.

14. ENTERPRISE FUND SEGMENT INFORMATION

The District maintains two enterprise funds to account for the operations of lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$305,229	\$ 40	305,269
Depreciation Expense	3,383		3,383
Operating Income (Loss)	(65,971)	(819)	(66,790)
Nonoperating Revenue:			
Federal and State Subsidies	55,901		55,901
Interest Revenue	1,918		1,918
Donated Commodities	25,126		25,126
Net Income	16,974	(819)	16,155
Net Working Capital	41,240	11,988	53,228
Fixed Assets:			
Fixed Asset Additions	17,430		
Fixed Asset Deletions	15,436		
Total Assets	99,618	11,988	111,606
Long Term Liabilities payable from fund revenues	15,046		15,046
Total Equity	55,818	11,988	67,806

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

15. RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the District contracted with Nationwide Insurance (through the Ohio School Boards Association) for property and fleet insurance, liability insurance, and inland marine coverage. Coverage's provided by Nationwide Insurance are as follows:

Building and Business Personal Property including EDP	
-replacement cost (\$1,000 deductible)	\$100,000
Marine Coverage (\$1,000 deductible)	100,000
Automobile Liability	
- (Comprehensive Deductibles – Buses - \$1,000, All Other - \$250; Collision Deductibles – Buses - \$1,000, All Other - \$500)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per Year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage for fiscal year 2002.

B. Workers' Compensation

For fiscal year 2002, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 16). The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all 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.

C. Employee Medical

The District participates in the Champaign, Delaware, Marion, and Union County Schools Consortium (CDMU), a self-insurance medical plan for ten (10) school districts, educational service centers and Board of Education. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

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

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

Ohio Hi-Point Joint Vocational School - The Ohio Hi-Point Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public Districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. Each member district supports WOCO based upon a per pupil charge, dependent upon the software package utilized. The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member Districts within each county plus one representative from the Shelby County Educational Service Center, the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

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

17. INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program - The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his 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.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

17. INSURANCE PURCHASING POOLS (Continued)

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU) - CDMU sponsors self-insured medical plans for ten (10) 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 ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

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

18. SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2002, only the unspent portion of certain Bureau of Workers' Compensation (BWC) refunds continues to be set aside at fiscal year end. S.B. 345 restricted the BWC refunds to offset a budget deficit; school facility construction, renovation, or repair; textbooks and/or instructional materials; school bus purchases; and professional development of teachers.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization during fiscal year 2002.

	<u>Textbook</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>
Balance June 30, 2001	(\$43,249)	(\$67,647)	\$47,429
Current Year Set Aside Requirement	138,489	138,489	
Current Year Offsets		(91,900)	
Qualifying Expenditures	<u>(176,456)</u>	<u>(189,950)</u>	<u>0</u>
Amount Carried Forward to Future Fiscal Years	<u>(\$81,216)</u>	<u>(\$211,008)</u>	<u>\$47,429</u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements in future fiscal years.

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2002
(Continued)**

19. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

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

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

To the Board of Education:

We have audited the financial statements of West-Liberty-Salem Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 2002.

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

This report is intended for the information and use of the Audit Committee, management, and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 6, 2002

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10311-01	Article 21, A-3 of the Master Contract between West Liberty-Salem Local Schools and The West Liberty-Salem Education Association/OEA-NEA – overpayment of severance pay.	Yes	



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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 2, 2003**