



Mary Taylor, CPA  
Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets – June 30, 2010 .....	15
Statement of Activities – For the Fiscal Year Ended June 30, 2010 .....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds – June 30, 2010 .....	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – June 30, 2010 .....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – For the Fiscal Year Ended June 30, 2010 .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2010 .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2010 .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds – June 30, 2010 .....	22
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2010 .....	49
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	50
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	51
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.....	53
Schedule of Findings.....	55

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, (the District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures provides additional information and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

November 2, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED**

The discussion and analysis of the West Liberty-Salem Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$1,375,915 which represents an 18.76% decrease from 2009.
- General revenues accounted for \$9,369,838 in revenue or 75.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,986,622 or 24.17% of total revenues of \$12,356,460.
- The District had \$13,732,375 in expenses related to governmental activities; \$2,986,622 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,369,838 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$10,714,439 in revenues and \$11,678,075 in expenditures and other financing uses. During fiscal year 2010, the general fund's fund balance decreased \$963,636 from \$2,424,170 to \$1,460,534.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

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

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

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

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

**Fund Financial Statements**

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

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

**Reporting the District's Fiduciary Responsibilities**

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**The District as a Whole**

The table below provides a summary of the District's net assets for 2010 and 2009.

	<b>Net Assets</b>	
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>
<b>Assets:</b>		
Current and other assets	\$5,896,063	\$6,689,696
Capital assets, net	4,500,636	4,832,689
Total assets	<u>10,396,699</u>	<u>11,522,385</u>
<b>Liabilities:</b>		
Current liabilities	3,563,907	3,092,302
Long-term liabilities	873,062	1,094,438
Total liabilities	<u>4,436,969</u>	<u>4,186,740</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	4,413,785	4,529,414
Restricted	448,123	386,416
Unrestricted	1,097,822	2,419,815
Total net assets	<u>\$5,959,730</u>	<u>\$7,335,645</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$5,959,730. Of this total, \$1,097,822 is unrestricted in use.

At year-end, capital assets represented 43.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 20, were \$4,413,785. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

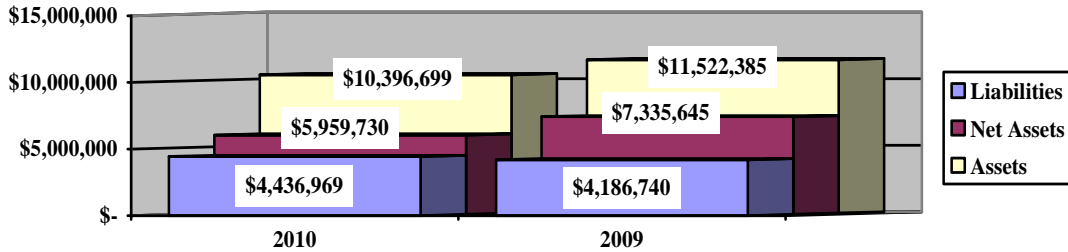
A portion of the District's net assets, \$448,123 represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,097,822 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below illustrates the District's assets, liabilities and net assets as reported on the Statement of Net Assets at June 30, 2010 and 2009:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2010 and 2009:

	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services and sales	\$1,847,261	\$1,414,943
Operating grants and contributions	1,139,361	1,235,308
Capital grants and contributions		37,537
<b>General revenues:</b>		
Property taxes	1,928,880	2,771,921
Income taxes	1,418,812	1,751,710
Grants and entitlements	5,916,469	5,661,696
Investment earnings	72,301	93,557
Other	33,376	103,378
<b>Total revenues</b>	<b>12,356,460</b>	<b>13,070,050</b>
<b>Expenses:</b>		
<b>Program expenses:</b>		
<b>Instruction:</b>		
Regular	5,205,830	4,665,928
Special	1,930,810	1,735,390
Vocational	180,887	206,635
Other	429,559	429,821
<b>Support services:</b>		
Pupil	734,405	542,118
Instructional staff	701,355	614,546
Board of education	127,582	63,538
Administration	834,695	789,834
Fiscal	405,218	392,421
Business	892	18,014
Operations and maintenance	1,103,596	1,033,720
Pupil transportation	655,034	789,134
Central	295,305	328,759

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>
<b>Revenues:</b>		
<b>Operation of non-instructional services:</b>		
Food service operations	553,778	508,646
Other non-instructional services	4,573	309,940
Extracurricular activities	558,833	318,563
Interest and fiscal charges	10,023	22,684
Total expenses	<u>13,732,375</u>	<u>12,769,691</u>
Change in net assets	(1,375,915)	300,359
Net assets at beginning of year	<u>7,335,645</u>	<u>7,035,286</u>
Net assets at end of year	<u><u>\$5,959,730</u></u>	<u><u>\$7,335,645</u></u>

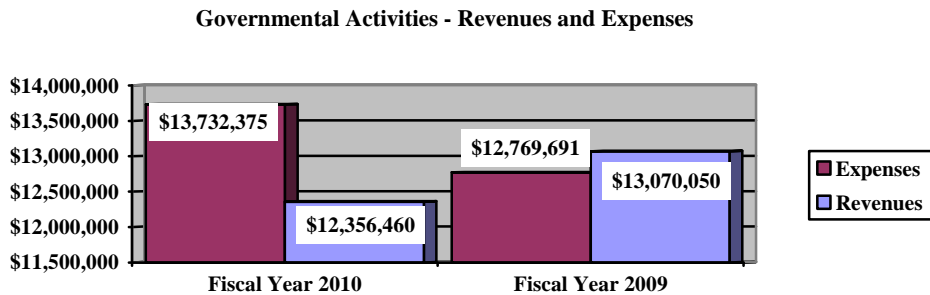
**Governmental Activities**

Net assets of the District's governmental activities decreased \$1,375,915. Total governmental expenses of \$13,732,375 were offset by program revenues of \$2,986,622 and general revenues of \$9,369,838. Program revenues supported 21.75% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 74.97% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,747,086 or 56.41% of total governmental expenses for fiscal 2010.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

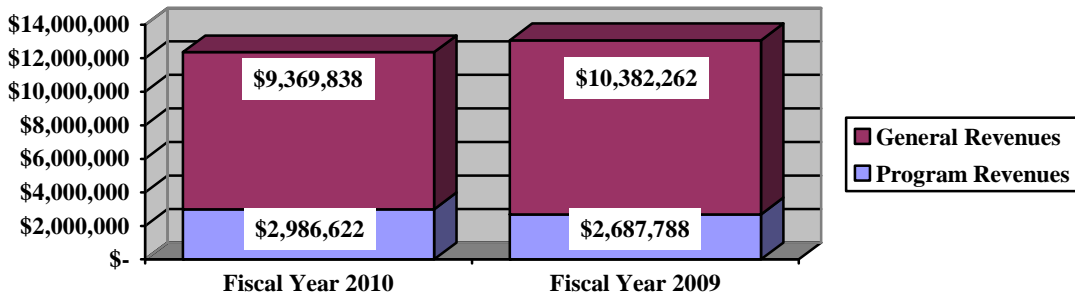
**Governmental Activities**

	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>	<b>Total Cost of Services 2009</b>	<b>Net Cost of Services 2009</b>
<b>Program expenses:</b>				
<b>Instruction:</b>				
Regular	\$ 5,205,830	\$ 4,256,267	\$ 4,665,928	\$ 4,154,003
Special	1,930,810	1,202,662	1,735,390	642,575
Vocational	180,887	142,398	206,635	170,230
Other	429,559	429,559	429,821	429,821
<b>Support services:</b>				
Pupil	734,405	264,469	542,118	307,204
Instructional staff	701,355	701,355	614,546	611,285
Board of education	127,582	127,582	63,538	63,538
Administration	834,695	756,220	789,834	788,568
Fiscal	405,218	405,218	392,421	392,127
Business	892	892	18,014	18,014
Operations and maintenance	1,103,596	1,051,479	1,033,720	1,019,200
Pupil transportation	655,034	655,034	789,134	732,288
Central	295,305	295,305	328,759	328,759
<b>Operation of non-instructional services:</b>				
Food service operations	553,778	56,428	508,646	6,737
Other non-instructional services	4,573		309,940	303,940
Extracurricular activities	558,833	390,862	318,563	90,930
Interest and fiscal charges	10,023	10,023	22,684	22,684
<b>Total expenses</b>	<b>\$13,732,375</b>	<b>\$10,745,753</b>	<b>\$12,769,691</b>	<b>\$10,081,903</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 77.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.25%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

The graph below presents the District's governmental activities revenues for fiscal year 2010 and 2009:

**Governmental Activities - General and Program Revenues**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,148,597, which is lower than last year's total of \$3,236,671. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	<u>Fund Balance June 30, 2010</u>	<u>Fund Balance June 30, 2009</u>	<u>Increase (decrease)</u>	<u>Percentage Change</u>
General	\$1,460,534	\$2,424,170	(\$ 963,636)	(39.75)%
Other Governmental	688,063	812,501	(124,438)	(15.32)%
Total	<u>\$2,148,597</u>	<u>\$3,236,671</u>	<u>(\$1,088,074)</u>	(33.62)%

**General Fund**

The District's general fund's fund balance decreased \$963,636. Tax revenue decrease \$819,831 from the prior year. This decrease was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. There was an approximate \$261,000 additional amount of tax advance that was available to the District from the County Auditor at June 30, 2009. This variance resulted in more tax revenue being reported in fiscal year 2009 compared to 2010. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Tax revenue also decreased due to the phase out of tangible personal property taxes. Earnings on investment decrease 26.07% can be attributed to the decrease in investments as well as the decline in rates.

Overall expenditures of the general fund increased \$391,671 or 3.48%. The most significant increase was in the area of instruction. This increase was due to the rising operating costs of the District as well as an increase in wages and benefits. The increase of \$374,793 in tuition can be attributed to the increase in enrollment receipts.

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

	<u>2010 Amount</u>	<u>2009 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>	
<b>Revenues:</b>					
Taxes	\$ 3,404,584	\$ 4,224,415	(\$819,831)	(19.41)	%
Tuition	1,206,729	831,936	374,793	45.05	%
Earnings on investments	69,166	93,557	(24,391)	(26.07)	%
Intergovernmental	5,975,958	6,317,897	(341,939)	(5.41)	%
Other revenues	58,002	51,364	6,638	12.92	%
Total	<u>10,714,439</u>	<u>11,519,169</u>	<u>(804,730)</u>	(6.99)	%
<b>Expenditures:</b>					
Instruction	7,005,353	6,767,400	237,953	3.52	%
Support services	4,265,328	4,136,164	129,164	3.12	%
Extracurricular activities	303,780	279,226	24,554	8.79	%
Debt service	84,564	84,564			%
Total	<u>\$11,659,025</u>	<u>\$11,267,354</u>	<u>\$391,671</u>	3.48	%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

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

During the course of fiscal 2010, the District amended its general fund budget. For the general fund, original budgeted revenues and other financing sources were \$13,673,595 and final budgeted revenues and other financing sources were \$11,141,496. Actual revenues and other financing sources for fiscal 2010 were \$11,020,453. This represents a \$121,043 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$11,380,463. The final budget appropriations (appropriated expenditures including other financing uses) were \$11,542,131. The actual budget basis expenditures for fiscal year 2010 totaled \$11,526,279, which is \$15,852 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2010, the District had \$4,500,636 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Land	\$ 252,710	\$ 252,710
Construction in progress		7,815
Land improvements	273,595	308,147
Building and improvements	2,868,993	3,205,547
Furniture and equipment	496,509	536,940
Vehicles	608,829	521,530
<b>Total</b>	<b>\$4,500,636</b>	<b>\$4,832,689</b>

The overall decrease in capital assets of \$332,053 is due to depreciation expense of \$476,565 exceeding capital outlays of \$177,050 and disposals net of accumulated depreciation of \$32,538 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

**Debt Administration**

At June 30, 2010, the District had \$86,851 in capital leases outstanding. Of this total, \$55,038 is due within one year and \$31,813 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

<b>Outstanding Debt, at Year End</b>		
	<b>Governmental Activities 2010</b>	<b>Governmental Activities 2009</b>
General obligation bonds		\$140,000
Capital lease obligations	\$86,851	163,275
Total	\$86,851	\$303,275

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

**Current Financial Related Activities**

This District, like most other districts, faces many challenges in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property taxes, income taxes (1/2% continuing, and 1% for a three-year term), and unrestricted state aid. These three areas of revenue accounted for 83% of the general fund revenue in fiscal year 2010, with unrestricted state aid providing the largest percentage (52%) of the three. All three of these revenue line items decreased or stayed level during fiscal year 2010 creating additional strain on our remaining cash balance. Locally, the District has very little industry within the District boundaries, which makes the real estate property tax and the income tax even more vital to the District's operation and existence. The 1% Income tax was renewed for a three year period in May 2010 which was a top priority for the district. Even with the Income tax renewal, the District's five-year forecast still shows a declining balance in 2010 and projected declining balance's in 2011, 2012 and negative balance's in 2013, 2014 and 2015.

In addition to maintaining the Five-Year Forecast as required, the District has developed a Five-Year Strategic Plan. The vision of the District is a "quality staff providing support for student success", and the mission of the District is to be an "educational partnership dedicated to helping students reach their full potential". The Strategic Plan also includes the following four goals: 1. West Liberty-Salem Local Schools will achieve an excellent rating on the state report card, and have 85% or more of students scoring proficient or higher and 50% or more of students scoring accelerated or advanced on the achievement and OGT tests, while achieving Adequate Yearly Progress. 2. West Liberty-Salem Local Schools will be fiscally responsible by continually maintaining a minimum cash reserve equaling one month of expenditures. 3. West Liberty-Salem Local Schools will implement and execute the master plan to update the facilities to meet school and community needs by the summer of 2010. 4. West Liberty-Salem Local Schools will advance curriculum offerings to meet the needs of the 21st century global work place.

The District remains a lapsed district within the OSFC system, which means that the District must now first pass a bond issue before the OSFC will allocate their share of the project. The Board of Education continues to evaluate all aspects of this OSFC project in order to determine what their next step should be to take advantage of the OSFC funding share for the renovation/building project. The current building debt was paid off in full on December 1, 2009, which may help in obtaining voter approval for a future bond issue should the Board of Education decide to pursue a building project.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

In an effort to reduce costs during fiscal year 2010 and in future years, the District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. All areas of expense are reviewed for possible changes and reductions, including staffing. When any District staff member leaves the District due to retirement or for any other reason, the current administration is looking at all possible alternatives before hiring someone to replace that employee. In addition, rising utility costs including electricity, natural gas, and bus fuel have and will continue to have a negative impact. In years past, creating a positive impact on expenses has been the health insurance consortium to which the District belongs. The District, along with six other schools and two educational service centers, has had a very good experience in regards to rates, claims and discounts. The rates for fiscal year 2010 increased by 7.8%, in years past the District had been fortunate in that they along with the other schools of the consortium experienced a health insurance premium rate holiday. This did not happen during this fiscal year. The outlook for fiscal year 2011 in regards to health insurance indicates that the rate increase will be 9.5%. This increase, although higher than what we have had in the past three years, is still in line with the national average. Our rates are increasing due to our claims rising at a faster rate than had been anticipated and the unexpected departure of Olentangy Schools from the consortium the largest school in the consortium. Over the last 14 years, the average rate increase for our consortium has been 8% and with the exception of 2011 that is the percentage being used for future years. Premium Rate Holidays are not being anticipated for any future years; however, the consortium does review the possibility of one on a quarterly basis during each meeting.

Current areas of concern for the District include the decreasing receipts of core revenues like our income tax and real estate tax proceeds. Due to the current economy our Income tax collections for fiscal year 2010 were down by 8.3% and based on our first collection period in July 2010 this trend is going to continue. In addition our Real Estate tax proceeds are not increasing due to property values staying the same or decreasing. Other areas of concern for the District are the possibility of another unfunded mandate in regards to STRS trying to have the House and the Senate pass a phased-in rate increase of 2.5% over an extended period of time. If approved, this would cost the District in excess of an additional \$500,000 over that required time period. A third area of concern is in regards to OEBM (Ohio Evidence Based Model) funding formula approved at the start of fiscal year 2010. This new funding system, which is being funded on a phase in basis, has forced West Liberty-Salem to become a guarantee district. Being a guarantee district means that WL-S will not receive any additional state funding each year. In addition the guarantee states that WL-S will only receive 98% of what they received the previous year therefore our funding amount will be less each year. All indications are that WL-S will continue to be a guarantee district through 2015. In addition, the new Evidenced Based Model funding system creates additional expense requirements of each district, although these are being phased in and some waivers may be obtained if all requirements are met.

To help offset these reductions during fiscal year 2010 and 2011, the District has and will receive Federal Grant Stimulus Funds. These Stimulus funds are due to expire at the end of 2011 which will create a large void in our state funding if these funds are not replaced. In addition a new bi-annual budget will be required for 2012 and 2013 and unless the state economy improves additional cuts to education funding may be required. The current state of economy and all the unknowns associated with all these changes create a number of concerns and some nervous speculation about the future of public education.

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)**

**Contacting the District's Financial Management**

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

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

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$2,089,475
Investments	900,000
<b>Receivables:</b>	
Property taxes	2,285,566
Income taxes	549,695
Accrued interest	17,925
Intergovernmental	36,497
Materials and supplies inventory	16,905
<b>Capital assets:</b>	
Land and construction in progress	252,710
Depreciable capital assets, net	4,247,926
Capital assets, net	<u>4,500,636</u>
Total assets	<u>10,396,699</u>
<b>Liabilities:</b>	
Accounts payable	173,895
Accrued wages and benefits	1,075,908
Pension obligation payable	292,513
Intergovernmental payable	187,131
Accrued interest payable	163
Unearned revenue	1,834,297
<b>Long-term liabilities:</b>	
Due within one year	244,905
Due within more than one year	628,157
Total liabilities	<u>4,436,969</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	4,413,785
<b>Restricted for:</b>	
Capital projects	139,267
Debt service	1,894
Classroom facilities maintenance	22,664
Federally funded programs	11,146
Student activities	57,189
Public school support	47,218
Other purposes	168,745
Unrestricted	1,097,822
Total net assets	<u><u>\$5,959,730</u></u>

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

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

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Expenses</b>			
<b>Governmental activities:</b>			
<b>Instruction:</b>			
Regular	\$5,205,830	\$700,356	\$249,207
Special	1,930,810	531,084	197,064
Vocational	180,887		38,489
Other	429,559		(429,559)
<b>Support services:</b>			
Pupil	734,405	115,480	354,456
Instructional staff	701,355		(701,355)
Board of education	127,582		(127,582)
Administration	834,695		78,475
Fiscal	405,218		(405,218)
Business	892		(892)
Operations and maintenance	1,103,596		52,117
Pupil transportation	655,034		(1,051,479)
Central	295,305		(655,034)
			(295,305)
<b>Operation of non-instructional services:</b>			
Food service operations	553,778	346,400	150,950
Other non-instructional services	4,573		4,573
Extracurricular activities	558,833	153,941	14,030
Interest and fiscal charges	10,023		(390,862)
			(10,023)
<b>Totals</b>	<b>\$13,732,375</b>	<b>\$1,847,261</b>	<b>\$1,139,361</b>
			<b>(10,745,753)</b>
<b>General Revenues:</b>			
<b>Property taxes levied for:</b>			
General purposes			1,804,473
Special revenue			4,322
Debt service			2,814
Capital outlay			117,271
<b>Income taxes levied for:</b>			
General purposes			1,418,812
Grants and entitlements not restricted to specific programs			5,916,469
Investment earnings			72,301
Miscellaneous			33,376
<b>Total general revenues</b>			<b>9,369,838</b>
Change in net assets			(1,375,915)
Net assets at beginning of year			<b>7,335,645</b>
Net assets at end of year			<b>\$5,959,730</b>

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

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$1,255,121	\$786,925	\$2,042,046
Investments	900,000		900,000
<b>Receivables:</b>			
Property taxes	2,140,852	144,714	2,285,566
Income taxes	549,695		549,695
Accrued interest	17,925		17,925
Intergovernmental	1,289	35,208	36,497
Materials and supplies inventory	9,785	7,120	16,905
<b>Restricted assets:</b>			
Equity in pooled cash and cash equivalents	47,429		47,429
<b>Total assets</b>	<u>4,922,096</u>	<u>973,967</u>	<u>5,896,063</u>
<b>Liabilities:</b>			
Accounts payable	152,860	21,035	173,895
Accrued wages and benefits	1,007,258	68,650	1,075,908
Compensated absences payable	60,907		60,907
Pension obligation payable	223,510	69,003	292,513
Intergovernmental payable	184,021	3,110	187,131
Deferred revenue	115,141	7,674	122,815
Unearned revenue	1,717,865	116,432	1,834,297
<b>Total liabilities</b>	<u>3,461,562</u>	<u>285,904</u>	<u>3,747,466</u>
<b>Fund Balances:</b>			
Reserved for encumbrances	35,754	14,481	50,235
Reserved for materials and supplies inventory	9,785	7,120	16,905
Reserved for debt service		2,057	2,057
Reserved for property tax unavailable for appropriation	309,135	20,608	329,743
Reserved for BWC refunds	47,429		47,429
<b>Unreserved:</b>			
Designation for WLS building project			
OSFC expedited program		315,152	315,152
Designated for capital maintenance	175,700		175,700
<b>Undesignated, reported in:</b>			
General fund	882,731		882,731
Special revenue funds		220,318	220,318
Capital projects funds		108,327	108,327
<b>Total fund balances</b>	<u>1,460,534</u>	<u>688,063</u>	<u>2,148,597</u>
<b>Total liabilities and fund balances</b>	<u>\$4,922,096</u>	<u>\$973,967</u>	<u>\$5,896,063</u>

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

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

Total governmental fund balances		\$2,148,597
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,500,636
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$121,526	
Intergovernmental receivable	1,289	
Total	<u>122,815</u>	122,815
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(163)
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(725,304)	
Capital lease obligation	(86,851)	
Total	<u>(812,155)</u>	(812,155)
Net assets of governmental activities		<u><u>\$5,959,730</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
<b>From local sources:</b>			
Property taxes	\$1,802,895	\$130,633	\$1,933,528
Income taxes	1,601,689		1,601,689
Tuition	1,206,729		1,206,729
Earnings on investments	69,166	3,135	72,301
Charges for services		345,550	345,550
Classroom materials and fees		520	520
Contributions and donations		14,030	14,030
Contract services	8,920		8,920
Extracurricular		209,196	209,196
Other local revenues	49,082	60,640	109,722
Intergovernmental - State	5,975,958	45,684	6,021,642
Intergovernmental - Federal		1,022,758	1,022,758
Total revenues	<u>10,714,439</u>	<u>1,832,146</u>	<u>12,546,585</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	4,654,776	285,754	4,940,530
Special	1,751,975	193,247	1,945,222
Vocational	179,849		179,849
Other	418,753		418,753
<b>Support services:</b>			
Pupil	334,446	395,442	729,888
Instructional staff	716,208	886	717,094
Board of education	38,552		38,552
Administration	751,731	85,381	837,112
Fiscal	393,968	4,693	398,661
Operations and maintenance	1,010,736	95,690	1,106,426
Pupil transportation	728,418		728,418
Central	291,269		291,269
<b>Operation of non-instructional services:</b>			
Food service operations		518,564	518,564
Operation of non-instructional		4,573	4,573
Extracurricular activities	303,780	231,390	535,170
Facilities acquisition and construction		14,764	14,764
<b>Debt service:</b>			
Principal retirement	76,424	140,000	216,424
Interest and fiscal charges	8,140	5,250	13,390
Total expenditures	<u>11,659,025</u>	<u>1,975,634</u>	<u>13,634,659</u>
Excess of expenditures over revenues	<u>(944,586)</u>	<u>(143,488)</u>	<u>(1,088,074)</u>
<b>Other financing sources (uses):</b>			
Transfers in		19,050	19,050
Transfers (out)	(19,050)		(19,050)
Total other financing sources (uses)	<u>(19,050)</u>	<u>19,050</u>	<u></u>
Net change in fund balances	(963,636)	(124,438)	(1,088,074)
Fund balances at beginning of year	2,424,170	812,501	3,236,671
Fund balances at end of year	<u>\$1,460,534</u>	<u>\$688,063</u>	<u>\$2,148,597</u>

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds (\$1,088,074)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$177,050	
Depreciation expense	(476,565)	
Total	(299,515)	(299,515)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (32,538)

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

Property taxes	(4,648)	
Income taxes	(182,877)	
Intergovernmental revenue	(1,311)	
Total	(188,836)	(188,836)

Repayment of bond and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 216,424

Governmental funds report expenditures for interest when it is due.

In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the statement of activities is less due to a decrease in accrued interest payable on bonds. 3,367

Some expenses reported in the statement of activities, such as compensated absences, future retirement obligations, and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 13,257

Change in net assets of governmental activities (\$1,375,915)

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



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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
<b>From local sources:</b>				
Property taxes	\$2,560,454	\$2,086,305	\$2,063,639	(\$22,666)
Income taxes	2,055,898	1,675,183	1,656,984	(18,199)
Tuition	1,497,245	1,219,983	1,206,729	(13,254)
Earnings on investments	63,577	51,804	51,241	(563)
Contract services	11,067	9,018	8,920	(98)
Other local revenues	52,039	42,402	41,940	(462)
Intergovernmental - State	7,417,072	6,043,566	5,977,908	(65,658)
Total revenues	<u>13,657,352</u>	<u>11,128,261</u>	<u>11,007,361</u>	<u>(120,900)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	4,751,345	4,612,200	4,609,776	2,424
Special	1,485,828	1,621,198	1,620,866	332
Vocational	215,544	191,844	191,704	140
Other	222,150	427,158	426,976	182
<b>Support services:</b>				
Pupil	297,530	328,846	328,641	205
Instructional staff	706,419	713,894	711,372	2,522
Board of education	45,520	36,620	36,241	379
Administration	805,316	848,716	848,133	583
Fiscal	397,085	394,085	393,636	449
Operations and maintenance	1,066,077	1,028,577	1,023,641	4,936
Pupil transportation	755,725	732,525	732,252	273
Central	310,849	279,469	279,453	16
Extracurricular activities	294,075	299,999	298,588	1,411
Total expenditures	<u>11,353,463</u>	<u>11,515,131</u>	<u>11,501,279</u>	<u>13,852</u>
Excess of revenues over (under) expenditures	<u>2,303,889</u>	<u>(386,870)</u>	<u>(493,918)</u>	<u>(107,048)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures	8,861	7,220	7,142	(78)
Refund of prior year's receipts	(2,000)	(2,000)		2,000
Transfers in	7,382	6,015	5,950	(65)
Transfers (out)	(25,000)	(25,000)	(25,000)	
Total other financing sources (uses)	<u>(10,757)</u>	<u>(13,765)</u>	<u>(11,908)</u>	<u>1,857</u>
Net change in fund balance	2,293,132	(400,635)	(505,826)	(105,191)
Fund balance at beginning of year	2,524,787	2,524,787	2,524,787	
Prior year encumbrances appropriated	129,747	129,747	129,747	
Fund balance at end of year	<u>\$4,947,666</u>	<u>\$2,253,899</u>	<u>\$2,148,708</u>	<u>(\$105,191)</u>

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

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$77,108
Cash in segregated accounts	12,297
Total assets	<u>89,405</u>
<b>Liabilities:</b>	
Accounts payable	88
Due to students	77,020
Deposits held and due to others	12,297
Total liabilities	<u>\$89,405</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 427<sup>th</sup> largest by enrollment among the 934 districts in the State (including community schools) and the 3<sup>rd</sup> largest in Champaign County. It currently operates 1 building, which contains 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 91 certified and 63 classified employees to provide services to 1,256 students in grades K through 12 and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

**1. Jointly Governed Organizations**

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

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

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

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

**Southwestern Ohio Educational Purchasing Council** - The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the Council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the general fund. During fiscal year 2010, the District paid \$71,036 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**2. INSURANCE PURCHASING POOLS**

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

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

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

**2. Proprietary Funds**

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

**3. Fiduciary Funds**

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

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

**1. Government-wide Financial Statements**

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

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

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

**2. Fund Financial Statements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

**2. Unearned Revenue and Deferred Revenue**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue.

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

**3. Expenses/Expenditures**

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2010.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures for the general fund and at the fund level of expenditures for all other funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund and function for the general fund, and by fund for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund or function appropriations for the general fund, or the total of any fund appropriations for all other funds, must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and function level for the general fund, and at the fund level for all other funds.

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposits. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts, such as certificates of deposits, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, and to the food service special revenue fund and the classroom facilities capital projects fund (nonmajor governmental funds). Interest revenue credited to the general fund during fiscal year 2010 amounted to \$69,166, which includes \$12,986 assigned from other funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal 2010, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net assets. At June 30, 2010, the District had no interfund receivables/payables.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty (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 June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

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

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

**L. Fund Balance Reserves and Designations**

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

**M. Net Assets**

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

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

**N. Estimates**

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

**O. Restricted Assets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**P. Interfund Activity**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Non-major Governmental Funds</u>	<u>Deficit</u>
IDEA, Part B	\$3,234
Education stabilization	54,843
Drug free school grant	5
Improving teacher quality	59

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

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all District deposits was \$3,069,997. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$2,241,500 of the District's bank balance of \$3,120,587 was covered by the FDIC, while \$879,087 was exposed to custodial risk as discussed below.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

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

**B. Investments**

At June 30, 2010, the District had the following investments and maturities:

<b>Investment</b>	<b>Fair Value</b>	<b>Investment Maturity 6 months or less</b>
STAR Ohio	\$8,883	\$8,883

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

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

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2010:

<b>Investment</b>	<b>Fair Value</b>	<b>% of Total</b>
STAR Ohio	\$8,883	100.00

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets at June 30, 2010:

<b>Cash and investments per note disclosure:</b>	
Carrying amount of deposits	\$3,069,997
Investments	8,883
Total	\$3,078,880
 <b>Cash and investments per statement of net assets:</b>	
Governmental activities	\$2,989,475
Agency funds	89,405
Total	\$3,078,880



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2010 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Non-major governmental funds	\$19,050

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

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The District receives property taxes from Champaign and Logan Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$309,135 in the general fund and \$20,608 in the permanent improvement capital projects fund (a non-major governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$569,879 in the general fund, \$16,573 in the bond retirement debt service fund (a non-major governmental fund), \$37,170 in the permanent improvement capital projects fund (a non-major governmental fund), and \$10,708 in the classroom facilities maintenance special revenue fund (a non-major governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<b>2009 Second Half Collections</b>		<b>2010 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$107,900,930	93.97	\$108,862,750	95.40
Public utility personal	4,883,620	4.25	4,876,730	4.27
Tangible personal property	2,046,170	1.78	376,820	0.33
<b>Total</b>	<b><u>\$114,830,720</u></b>	<b><u>100.00</u></b>	<b><u>\$114,116,300</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation		\$35.60		\$35.10

**7. SCHOOL DISTRICT INCOME TAX**

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

Employers of the residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue credited to the general fund for fiscal year 2010 was \$1,601,689.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. RECEIVABLES**

Receivables at June 30, 2010 consisted of property taxes, income taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

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

<b>Governmental activities:</b>	
Property taxes	\$2,285,566
Income taxes	549,695
Accrued interest	17,925
Intergovernmental	36,497
Total	\$2,889,683

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

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

<b>Governmental activities</b>	<b>Balance 6/30/09</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/10</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 252,710			\$ 252,710
Construction in progress	7,815		(\$ 7,815)	
Total capital assets, not being depreciated	260,525		(7,815)	252,710
<b>Capital assets, being depreciated:</b>				
Land improvements	767,873			767,873
Buildings and improvements	9,483,810		(24,850)	9,458,960
Equipment and furniture	1,338,091	\$ 40,850	(5,056)	1,373,885
Vehicles	1,103,881	136,200	(39,286)	1,200,795
Total capital assets, being depreciated	12,693,655	177,050	(69,192)	12,801,513
<b>Less: accumulated depreciation:</b>				
Land improvements	(459,726)	(34,552)		(494,278)
Buildings and improvements	(6,278,263)	(312,463)	759	(6,589,967)
Equipment and furniture	(801,151)	(80,649)	4,424	(877,376)
Vehicles	(582,351)	(48,901)	39,286	(591,966)
Total accumulated depreciation	(8,121,491)	(476,565)	44,469	(8,553,587)
Total capital assets, being depreciated net	4,572,164	(299,515)	(24,723)	4,247,926
Governmental activities capital assets, net	\$4,832,689	(\$299,515)	(\$32,538)	\$4,500,636

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$247,125
Other	10,806
<b>Support services:</b>	
Pupil	1,233
Board of Education	89,030
Fiscal	4,752
Business	892
Pupil transportation	59,815
Central	4,036
Extracurricular activities	24,000
Food service operations	34,876
Total depreciation expense	\$476,565

**10. CAPITAL LEASE - LESSEE DISCLOSURE**

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements. These expenditures are reflected as function expenditures on a budgetary basis. Governmental capital assets acquired by capital leases have been capitalized in the amount of \$358,709, which is equal to the present values of the future minimum payments at the dates of the lease inception. As of June 30, 2010, accumulated depreciation totaled \$160,819 on these assets and the net book value equaled \$197,890. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal 2010, principal payments equaled \$76,424 and interest payments equaled \$8,140, for total debt service of \$84,564. These amounts are reflected as principal retirement and interest and fiscal charges expenditures in the fund financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2010.

Year Ending June 30,	Amount
2011	\$58,054
2012	20,940
2013	12,215
Total future minimum lease payments	91,209
Less: Amount representing interest	(4,358)
Present value of future minimum lease payments	\$86,851

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. LONG-TERM OBLIGATIONS**

A. On August 1, 1987, the District issued \$3,060,000 in general obligation bonds. All current general obligation bonds outstanding, issued to provide funds for the construction of the school building and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these liabilities are recorded as expenditures in the bond retirement debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 6.32 mil bonded debt tax levy. In fiscal year 2010, the District made its final payment on the bonds.

B. The following is a description of the District's bonds outstanding as of June 30, 2010:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bonds Outstanding 6/30/09</u>	<u>Retired in 2010</u>	<u>Bonds Outstanding 6/30/10</u>
School facility bonds	7.50%	8/1/87	12/1/09	\$140,000	(\$140,000)	\$0

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

<u>Governmental activities:</u>	<u>Balance 6/30/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/10</u>	<u>Amount Due in One Year</u>
General obligation bonds	\$ 140,000		(\$140,000)		
Capital lease obligation	163,275		(76,424)	\$86,851	\$ 55,038
Compensated absences payable	791,163	\$177,265	(182,217)	786,211	189,867
Total governmental activities long-term liabilities	<u>\$1,094,438</u>	<u>\$177,265</u>	<u>(\$398,641)</u>	<u>\$873,062</u>	<u>\$244,905</u>

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

**D. Legal Debt Margins**

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

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

The effects of these debt limitations at June 30, 2010 are a legal voted debt margin of \$10,229,660 (including available funds of \$2,057), and a legal unvoted debt margin of \$113,640.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**12. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the District contracted with Ohio School Plan (through the Stolly Insurance Group) for property, fleet insurance, liability insurance and inland marine coverage. Coverages provided by Ohio School Plan are as follows:

<b>Type of Coverage</b>	<b><u>Amount</u></b>
Building and Business Personal Property including EDP Replacement cost (\$1,000 deductible)	\$32,782,208
Marine coverage (\$1,000 deductible)	50,000
Automotive Liability Comprehensive deductibles: buses - \$1,000, all other - \$250 Collision deductible: buses - \$1,000, all other - \$500	3,000,000
General Liability Per Occurrence Total per year	3,000,000 5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2010.

**B. Workers' Compensation**

For fiscal year 2010, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"). This Plan was created as a result of Amended House Bill 222 that mandated the creation of the Workers Compensation Group Rating Plan as defined in the Ohio Revised Code Section 4123.29. The intent of the Plan is to permit employers to Group together to potentially achieve a lower premium rate that they may not otherwise be able to acquire as individual employers.

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

**C. Employee Medical**

The District is also a member of the Champaign, Delaware, Marion and Union County Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for nine (9) school districts, educational service centers and Boards of Education. These plans are for active employees and their covered dependents. Among the nine districts and service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payments, and customer service at CoreSource's facility in Dublin, Ohio. Medical Mutual is the PPO provider for the CDMU.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

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

**13. PENSION PLANS**

**A. School Employees Retirement System**

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

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$204,348, \$143,708 and \$138,763, respectively; 45.45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**13. PENSION PLANS (Continued)**

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

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

**Funding Policy** - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$649,308, \$620,106 and \$596,380, respectively; 82.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$6,535 made by the District and \$4,668 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$23,721.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$31,076, \$88,989 and \$63,322, respectively; 45.45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,152, \$11,857 and \$9,998, respectively; 45.45 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS - (Continued)**

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$49,947, \$47,700 and \$45,875, respectively; 82.31 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**15. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**15. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Net Change in Fund Balance	General fund
Budget basis	(\$505,826)
Net adjustment for revenue accruals	(292,922)
Net adjustment for expenditure accruals	(211,588)
Net adjustment for other financing sources/uses	(7,142)
Adjustment for encumbrances	53,842
GAAP basis	(\$963,636)

**16. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**17. STATUTORY RESERVES**

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

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

	Instructional Materials	Capital Maintenance	BWC Refunds
Set-aside balance at June 30, 2009	(\$519,981)		\$47,429
Current year set-aside requirement	202,916	\$202,916	
Current year offsets		(180,480)	
Current year qualifying expenditures	(436,808)	(23,906)	
Set-aside balance at June 30, 2010	(753,873)	(1,470)	47,429
Balance carried forward to fiscal year 2011	\$(753,873)	\$ 0	\$47,429

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**17. STATUTORY RESERVES (Continued)**

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

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2010, the unspent portion of workers' compensation refunds continues to be set aside at fiscal year end. This balance must be spent according to S.B. 345.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
<b>Child Nutrition Cluster:</b>					
School Breakfast Program	10.553	\$7,638		\$7,638	
National School Lunch Program	10.555	111,909		111,909	
Non-Cash Assistance (Food Distribution): National School Lunch Program	10.555		\$26,319		\$26,319
Total National School Lunch Program		<u>111,909</u>	<u>26,319</u>	<u>111,909</u>	<u>26,319</u>
Total Child Nutrition Cluster		119,547	26,319	119,547	26,319
Team Nutrition Grants	10.574	2,000		2,000	
Total U. S. Department of Agriculture		<u>121,547</u>	<u>26,319</u>	<u>121,547</u>	<u>26,319</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Safe and Drug-Free Schools and Communities State Grants	84.186	2,804		2,804	
<b>Special Education Cluster</b>					
Special Education Grants to States	84.027	214,553		222,981	
ARRA Special Education Grants to States - Recovery Act	84.391	78,015		72,238	
Total Special Education Cluster		<u>292,568</u>		<u>295,219</u>	
<b>Title I Cluster</b>					
Title 1 Grants to Local Educational Agencies	84.010	133,568		134,352	
ARRA Title 1 Grants to Local Educational Agencies - Recovery Act	84.389	38,018		36,979	
Total Title 1 Cluster		<u>171,586</u>		<u>171,331</u>	
State Grants for Innovative Programs	84.298			586	
Education Technology State Grants	84.318	859		1,000	
Improving Teacher Quality State Grants	84.367	29,499		29,499	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	<u>373,395</u>		<u>373,395</u>	
Total U. S. Department of Education		<u>870,711</u>		<u>873,834</u>	
Total Federal Financial Assistance		<u>\$992,258</u>	<u>\$26,319</u>	<u>\$995,381</u>	<u>\$26,319</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2009 to 2010 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred From 2009 to 2010</u>
Title I Grants to Local Educational Agencies	84.010	\$1,198
Special Education – Grants to States	84.027	2,074

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

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, (the District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

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

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

**Mary Taylor, CPA**  
Auditor of State

November 2, 2010





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of West Liberty-Salem Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of West Liberty Salem Local School District's major federal programs for the fiscal year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the West Liberty-Salem Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2010.

### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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

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



**Mary Taylor, CPA**  
Auditor of State

November 2, 2010

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA #84.027 & ARRA 84.391 Title 1 Cluster, CFDA #84.010 & ARRA 84.389 ARRA – State Fiscal Stabilization Fund – Education State Grants, CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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**Mary Taylor, CPA**  
Auditor of State

**WEST LIBERTY SALEM LOCAL SCHOOL DISTRICT**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 7, 2010**