



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District has elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards* from generally accepted accounting principles (GAAP). We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net cash position, change in net cash position, governmental activities, fund cash balances, change in fund cash balance, and outstanding debt at year end. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 6, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- The District changed financial reporting from a basis of accounting that follows accounting principles generally accepted in the United States of America (GAAP) to the cash-basis of accounting. The effect of the change in accounting basis is reported in Note 3.C. to the financial statements.
- In total, net cash position of governmental activities increased \$184,745 which represents a 12.02% increase from 2012 (as restated in Note 3.C.).
- General cash receipts accounted for \$9,809,021 or 74.04% of all cash receipts. Program specific cash receipts in the form of charges for services and sales, and grants and contributions accounted for \$3,440,073 or 25.96% of total cash receipts of \$13,249,094.
- The District had \$13,064,349 in cash disbursements related to governmental activities; \$3,440,073 of these expenses was offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,809,021 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$12,064,267 in cash receipts and \$11,763,674 in cash disbursements and other financing uses. During fiscal year 2013, the general fund's fund cash balance increased \$300,593 from a balance of \$913,027 to \$1,213,620.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$624 in 2013. Cash disbursements for 2013 totaled \$24,283. The classroom facilities capital projects fund cash balance decreased \$23,659 from a cash balance of \$307,539 in 2012 to a cash balance of \$283,880 in 2013.

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 Position - Cash Basis* and *Statement of Activities - Cash Basis* provide information about the activities of the whole District, presenting an aggregate view of the District's 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 and classroom facilities fund are both major funds, with the general fund being the most significant fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The statement of net position - cash basis and statement of activities - cash basis answer the question, "How did we do financially during 2013?" These statements include *net cash position* using the *cash basis of accounting*, which is a basis of accounting other than GAAP. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, deferred outflows of resources and deferred inflows of resources are also not presented. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and statement of activities - cash basis the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and statement of activities - cash basis 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 funds begins on page 10. 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 major governmental funds are the general fund and classroom facilities 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 the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The governmental fund statements can be found on pages 17-18 of this report.

The District's budgetary process accounts for certain transactions on a cash-basis plus encumbrances. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 19 of this report.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-42 of this report.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2013 and June 30, 2012, as restated in Note 3.C to the basic financial statements.

	Net Cash Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
Assets:		
Equity in pooled cash and cash equivalents	\$1,721,253	\$1,536,508
Total assets	1,721,253	1,536,508
Net Cash Position:		
Restricted	223,753	623,481
Unrestricted	1,497,500	913,027
Total net cash position	\$1,721,253	\$1,536,508

The total net cash position of the District increased \$184,745 which represents a 12.02% increase from fiscal year 2012. A portion of the District's net cash position, \$223,753, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$1,497,500 may be used to meet the District's ongoing obligations to the students and creditors.

The table below shows the change in net cash position for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

	Change in Net Cash Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 2,278,112	\$1,892,465
Operating grants and contributions	1,161,961	1,143,171
General cash receipts:		
Property taxes	2,291,410	2,314,242
Income taxes	1,850,823	1,713,362
Grants and entitlements	5,520,114	5,397,076
Investment earnings	11,398	19,057
Other	135,276	122,565
Total receipts	<u>\$13,249,094</u>	<u>\$2,601,938</u>

Charges for services and sales program cash receipts increased \$385,647 from the prior year. This increase can be attributed to an increase open enrollment as well as an increase in receipts relating to special education and severe behavioral handicapped children.

	Change in Net Cash Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
Cash disbursements:		
Program disbursements:		
Instruction:		
Regular	\$4,771,846	\$4,970,182
Special	2,590,126	2,398,170
Vocational	179,968	181,816
Other	480,669	368,504
Support services:		
Pupil	566,363	599,934
Instructional staff	369,587	608,760
Board of education	29,623	29,756
Administration	752,196	816,107
Fiscal	428,220	422,120
Operations and maintenance	995,670	990,342
Pupil transportation	648,972	761,263
Central	150,373	250,750
Operation of non-instructional services:		
Other non-instructional services	4,300	3,600
Food service operations	501,024	516,780
Extracurricular activities	558,914	585,833
Facilities acquisition and construction	24,283	23,829
Debt service:		
Principal and interest	12,014	19,799
Interest and fiscal charges	201	1,141
Total cash disbursements	<u>13,064,349</u>	<u>13,548,686</u>
Change in net cash position	184,745	(946,748)
Net cash position at beginning of year (restated)	1,536,508	2,483,256
Net cash position at end of year	<u>\$1,721,253</u>	<u>\$1,536,508</u>

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

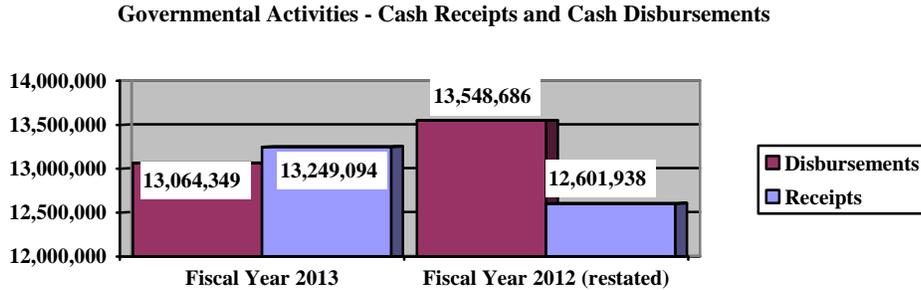
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Governmental Activities

Net cash position of the District's governmental activities increased \$184,745. Total governmental cash disbursements of \$13,064,349 were offset by program cash receipts of \$3,440,073 and general cash receipts of \$9,809,021. Program cash receipts supported 26.33% of the total governmental cash disbursements. The largest governmental disbursements were instructional disbursements which totaled \$8,022,609 or 61.41% of total governmental disbursements for fiscal 2013.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 72.93% of total governmental receipts.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements.



The statement of activities - cash basis 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 receipts and unrestricted State grants and entitlements. Amounts for 2012 have been restated to reflect the cash-basis of accounting.

Governmental Activities				
	Total Cost of Services 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
Cash disbursements:				
Instruction:				
Regular	\$ 4,771,846	\$ 3,819,122	\$ 4,970,182	\$ 4,186,341
Special	2,590,126	1,083,835	2,398,170	1,131,750
Vocational	179,968	141,191	181,816	143,039
Other	480,669	480,669	368,504	368,504
Support services:				
Pupil	566,363	347,503	599,934	366,715
Instructional staff	369,587	369,587	608,760	608,760
Board of education	29,623	29,623	29,756	29,756
Administration	752,196	751,136	816,107	816,107
Fiscal	428,220	428,220	422,120	422,120
Operations and maintenance	995,670	995,670	990,342	990,342
Pupil transportation	648,972	617,675	761,263	722,513
Central	150,373	150,373	250,750	250,750

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

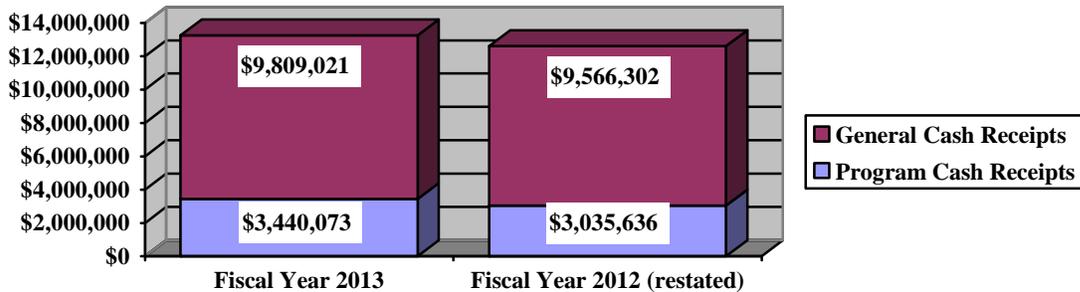
**Governmental Activities
(Continued)**

	Total Cost of Services 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
Operation of non-instructional services:				
Other non-instructional services	4,300		3,600	
Food service operations	501,024	41,941	516,780	41,395
Extracurricular activities	558,914	331,233	585,833	390,189
Facilities acquisition and construction	24,283	24,283	23,829	23,829
Debt service:				
Principal retirement	12,014	12,014	19,799	19,799
Interest and fiscal charges	201	201	1,141	1,141
Total cash disbursements	<u>\$13,064,349</u>	<u>\$9,624,276</u>	<u>\$13,548,686</u>	<u>\$10,513,050</u>

The dependence upon general cash receipts for governmental activities is apparent; with 73.67% of cash disbursements supported through taxes and other general cash receipts during 2013.

The graph below presents the District's governmental activities cash receipts for fiscal years 2013 and 2012, as restated in Note 3.C to the basic financial statements. Amounts for 2012 have been restated to reflect the cash-basis of accounting.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$1,721,253, which is higher than last year's total restated fund cash balance of \$1,536,508 (as described in Note 3.C). The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012.

	Fund Cash Balance June 30, 2013	Fund Cash Balance June 30, 2012	Increase/ Decrease	Percentage Change	
General	\$1,213,620	\$ 913,027	\$300,593	32.92	%
Classroom Facilities	283,880	307,539	(23,659)	(7.69)	%
Other Governmental	223,753	315,942	(92,189)	(29.18)	%
Total	<u>\$1,721,253</u>	<u>\$1,536,508</u>	<u>\$184,745</u>	12.02	%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

General Fund

The general fund, the District's largest major fund, had cash receipts of \$12,064,267 in 2013. The cash disbursements and other financing uses of the general fund, totaled \$11,763,674 in 2013. The general fund's cash balance increased \$300,593 or 32.92% from 2012 to 2013.

Overall cash receipts increased \$630,988 or 5.52% during fiscal year 2013. Tuition receipts increased \$380,948 from the prior year. This increase can be attributed to an increase open enrollment as well as an increase in receipts relating to special education and severe behavioral handicapped children. Earnings on investments decreased 39.02% due to continually declining interest rates.

Overall cash disbursements decreased \$447,697 or 3.67% during fiscal year 2013. The decrease in cash disbursements for support services of \$527,472 or 12.63% can be attributed to reduction in the number of employees compared to the prior year. Debt service disbursements decreased 41.67% due to the District making its final capital lease payment in fiscal year 2013.

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund, as restated in Note 3.C to the basic financial statements.

	2013 Amount	Restated 2012 Amount	Increase (Decrease)	Percentage Change	
Cash receipts:					
Taxes	\$ 4,008,440	\$ 3,892,461	\$115,979	2.98	%
Tuition	1,711,081	1,330,133	380,948	28.64	%
Earnings on investments	10,774	17,667	(6,893)	(39.02)	%
Intergovernmental	6,039,506	5,922,274	117,232	1.98	%
Other revenues	294,466	270,744	23,722	8.76	%
Total	12,064,267	11,433,279	630,988	5.52	%
Cash disbursements:					
Instruction	7,626,359	7,530,949	95,410	1.27	%
Support services	3,648,796	4,176,268	(527,472)	(12.63)	%
Extracurricular activities	466,130	473,040	(6,910)	(1.46)	%
Debt service	12,215	20,940	(8,725)	(41.67)	%
Total	\$11,753,500	\$12,201,197	(\$447,697)	(3.67)	%

Classroom Facilities Fund

The classroom facilities fund, a District major fund, had cash receipts of \$624 in 2013. Cash disbursements for 2013 totaled \$24,283. The classroom facilities fund cash balance decreased \$23,659 from a cash balance of \$307,539 in 2012 (as restated - see Note 3.C.) to a cash balance of \$283,880 in 2013.

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.

For the general fund, final budgetary basis receipts of \$11,951,220 were greater than the original budget estimates of \$11,455,560. Actual cash receipts of \$11,847,620 were less than final budget estimates by \$103,600. The final budgetary basis disbursements of \$11,710,410 were more than the original budget estimates of \$11,610,410. The actual budgetary basis disbursements of \$11,607,715 were \$102,695 less than the final budget estimates.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

At June 30, 2013, the District did not have any long-term obligations outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2013	Governmental Activities 2012
Capital lease obligations		\$12,014
Total	\$0	\$12,014

See Notes 8-9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

Our District, like most other Districts, continues to face many challenges this year and in the years to come. As the preceding information shows, the District relies heavily upon Real Estate Property taxes, mostly residential and agriculture, Income taxes (1/2% continuing, and 1% for a three-year renewable term), and Unrestricted State Aid. The District did experience a slight increase to two of these three receipt line items (Income Tax & Unrestricted State Aid) during fiscal year 2013. Locally the District has very little industry within the school District boundaries, which makes the Real Estate Property tax and the Income tax even more vital to the District's operation and existence. Thankfully, the 1% Income tax was renewed for a three year period in May 2013 and will be up for renewal again in 2016. The District did have receipts in excess of disbursements in the amount of \$184,745 for fiscal year 2013 ending the four year trend of disbursements exceeding receipts. This positive change was directly related to the many cuts and reductions made by the District to reduce our overall cost as described below and some positive increases to overall revenues. In regards to State funding, our largest area of receipts, the new Bi-annual State budget which was approved by the Governor at the end of June and which impacts fiscal year 2014 and fiscal year 2015, does indicate increases in our State receipts of 6.25% and 9.23%. Although the District is pleased with this positive change when compared back to our fiscal year 2009 State Receipts, our overall collections for fiscal year 2014 will only increase by approximately \$85,000. Fiscal year 2015 does provide a larger increase and it does appear based on the current 5-year forecast that the District may be able to maintain a positive, although declining, fund cash balance for all five years of the forecast.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The District remains a lapsed District within the Ohio School Facilities Commission ("OSFC") system, which means that the District must now first pass a bond issue before the OSFC will allocate their share of the project. The Board of Education did pass an issue on the November 2012 ballot in an attempt to secure voter approval for the District's share of the OSFC project which was defeated by a 52% to 48% margin. After making some major reduction in the overall amount and changing the way the issue will be funded, the Board of Education has passed the issue on the August 2013 ballot. The District will pay 29% of the cost and the State will pay 71% of the cost. Total project cost is anticipated to be approximately \$32,000,000. The voters approved a combination levy which consists of a .25% income tax for 23 years and 3.62 Mill Bond issue in the amount \$7,550,000 for 27 years at an anticipated rate of 4%. The District's share of \$11,000,000 includes the District's approximate state share of \$9,500,000 plus \$1,500,000 for a limited number of LFI (Locally Funded Initiative) projects not funded by the OSFC. The District currently has no outstanding debt with the previous building debt being paid off in full on December 1, 2009. It is interesting to note that this Bond issue back in 1986 was for 6.32 Mills at a total of \$3,060,000 for a 23 year term at a 7.50% interest rate and also required a .50 Mill Maintenance Levy.

In an effort to reduce costs during fiscal year 2013 and future years, the District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. At the end of fiscal year 2013 there were six teachers who retired. While all of these teachers are being replaced, they are being replaced with lower cost entry level teachers. One non-certified employee is retiring and will be replaced with a lower cost employee. In addition for fiscal year 2014 the District is in the second year in which all employees have agreed to a base wage freeze and step freeze. The District also changed to a different health insurance provider and added a high deductible health care plan as one of the options starting in fiscal year 2013. A number of different employee contribution tier levels were introduced in fiscal year 2013 to increase the employee payment share that they pay for health care and to help reduce the schools overall health care cost.

Current and ongoing areas of concern for the District include the slowly recovering economy, the current real estate market (property values and the number of homes sitting empty and for sale), the future of State Funding beyond fiscal year 2015, the future impact of Community & Charter school deductions and the possible funding revision of Open Enrollment. The biggest of these concerns has to be what will happen to State funding after fiscal year 2015. Will HB59 remain the new formula funding mechanism for years to come or will the State change the process to something totally different in the next Bi-annual budget? If so what will this change mean to the District and our largest source of revenue?

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers, and our creditors and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Mr. Steven Godwin, Treasurer / CFO, 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 POSITION - CASH BASIS
JUNE 30, 2013**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$1,721,253
Total assets	<u>1,721,253</u>
Net cash position:	
Restricted for:	
Capital projects	85,799
Debt service	2,057
Federally funded programs	16,625
Student activities	50,705
Other purposes	68,567
Unrestricted	1,497,500
Total net cash position	<u><u>\$1,721,253</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Cash Position
	Cash	Charges for	Operating Grants	Governmental
	Disbursements	Services and Sales	and Contributions	Activities
Governmental activities:				
Instruction:				
Regular	\$4,771,846	\$934,756	\$17,968	(\$3,819,122)
Special	2,590,126	818,001	688,290	(1,083,835)
Vocational	179,968		38,777	(141,191)
Other	480,669			(480,669)
Support services:				
Pupil	566,363		218,860	(347,503)
Instructional staff	369,587			(369,587)
Board of education	29,623			(29,623)
Administration	752,196		1,060	(751,136)
Fiscal	428,220			(428,220)
Operations and maintenance	995,670			(995,670)
Pupil transportation	648,972		31,297	(617,675)
Central	150,373			(150,373)
Operation of non-instructional services:				
Other non-instructional services	4,300		4,300	
Food service operations	501,024	307,544	151,539	(41,941)
Extracurricular activities	558,914	217,811	9,870	(331,233)
Facilities acquisition and construction	24,283			(24,283)
Debt service:				
Principal retirement	12,014			(12,014)
Interest and fiscal charges	201			(201)
Total governmental activities	\$13,064,349	\$2,278,112	\$1,161,961	(9,624,276)
 General cash receipts:				
Property taxes levied for:				
General purposes				2,157,617
Capital outlay				133,793
Income taxes levied for:				
General purposes				1,850,823
Grants and entitlements not restricted to specific programs				5,520,114
Investment earnings				11,398
Miscellaneous				135,276
Total general cash receipts				9,809,021
Change in net cash position				184,745
Net cash position at beginning of year (restated)				1,536,508
Net cash position at end of year				\$1,721,253

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$1,213,620	\$283,880	\$223,753	\$1,721,253
Total assets	<u>1,213,620</u>	<u>283,880</u>	<u>223,753</u>	<u>1,721,253</u>
Fund cash balances:				
Restricted:				
Debt service			2,057	2,057
Capital improvements			85,799	85,799
Food service operations			68,567	68,567
Special education			6,233	6,233
Targeted academic assistance			8,411	8,411
Other purposes			1,981	1,981
Extracurricular			50,705	50,705
Committed:				
Capital improvements		283,880		283,880
Assigned:				
Student instruction	11,642			11,642
Student and staff support	46,904			46,904
Extracurricular activities	1,703			1,703
School supplies	12,643			12,643
Public school support	30,347			30,347
Other purposes	11,139			11,139
Unassigned	1,099,242			1,099,242
Total fund cash balances	<u>\$1,213,620</u>	<u>\$283,880</u>	<u>\$223,753</u>	<u>\$1,721,253</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$2,157,617		\$133,793	\$2,291,410
Income taxes	1,850,823			1,850,823
Tuition	1,711,081			1,711,081
Earnings on investments	10,774	\$624		11,398
Charges for services			307,544	307,544
Extracurricular	117,514		100,297	217,811
Contributions and donations			9,870	9,870
Contract services	13,799			13,799
Other local revenues	163,153		2,908	166,061
Intergovernmental - state	6,039,506		25,373	6,064,879
Intergovernmental - federal			604,418	604,418
Total revenues	<u>12,064,267</u>	<u>624</u>	<u>1,184,203</u>	<u>13,249,094</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	4,587,829		184,017	4,771,846
Special	2,377,893		212,233	2,590,126
Vocational	179,968			179,968
Other	480,669			480,669
Support services:				
Pupil	350,016		216,347	566,363
Instructional staff	369,587			369,587
Board of education	29,623			29,623
Administration	751,136		1,060	752,196
Fiscal	424,220		4,000	428,220
Operations and maintenance	924,869		70,801	995,670
Pupil transportation	648,972			648,972
Central	150,373			150,373
Operation of non-instructional services:				
Other operation of non-instructional			4,300	4,300
Food service operations			501,024	501,024
Extracurricular activities	466,130		92,784	558,914
Facilities acquisition and construction		24,283		24,283
Debt service:				
Principal retirement	12,014			12,014
Interest and fiscal charges	201			201
Total expenditures	<u>11,753,500</u>	<u>24,283</u>	<u>1,286,566</u>	<u>13,064,349</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>310,767</u>	<u>(23,659)</u>	<u>(102,363)</u>	<u>184,745</u>
Other financing sources (uses):				
Transfers in			10,174	10,174
Transfers (out)	(10,174)			(10,174)
Total other financing sources (uses)	<u>(10,174)</u>		<u>10,174</u>	
Net change in fund cash balances	300,593	(23,659)	(92,189)	184,745
Fund cash balances at beginning of year (restated)	913,027	307,539	315,942	1,536,508
Fund cash balances at end of year	<u>\$1,213,620</u>	<u>\$283,880</u>	<u>\$223,753</u>	<u>\$1,721,253</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary cash receipts:				
From local sources:				
Property taxes	\$2,188,160	\$2,188,602	\$2,157,617	(\$30,985)
Income taxes	1,782,000	1,895,000	1,850,823	(44,177)
Tuition	1,457,000	1,711,081	1,711,081	
Earnings on investments	10,000	10,561	10,774	213
Contract services	13,000	13,799	13,799	
Other local revenues	81,400	89,219	64,020	(25,199)
Intergovernmental - state	5,924,000	6,042,958	6,039,506	(3,452)
Total budgetary cash receipts	<u>11,455,560</u>	<u>11,951,220</u>	<u>11,847,620</u>	<u>(103,600)</u>
Budgetary cash disbursements:				
Current:				
Instruction:				
Regular	4,742,344	4,617,844	4,599,196	18,648
Special	2,151,950	2,378,550	2,377,893	657
Vocational	188,453	188,453	187,906	547
Other	380,000	481,000	480,669	331
Support services:				
Pupil	335,101	332,101	326,039	6,062
Instructional staff	428,850	382,550	375,806	6,744
Board of education	30,800	30,800	29,623	1,177
Administration	792,236	779,236	768,968	10,268
Fiscal	432,810	427,810	424,220	3,590
Operations and maintenance	995,127	972,127	948,321	23,806
Pupil transportation	659,043	667,043	652,939	14,104
Central	170,354	164,354	151,511	12,843
Extracurricular activities	278,342	278,342	274,450	3,892
Total budgetary cash disbursements	<u>11,585,410</u>	<u>11,700,210</u>	<u>11,597,541</u>	<u>102,669</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(129,850)</u>	<u>251,010</u>	<u>250,079</u>	<u>(931)</u>
Other financing sources (uses):				
Transfers (out)	(25,000)	(10,200)	(10,174)	26
Total other financing sources (uses)	<u>(25,000)</u>	<u>(10,200)</u>	<u>(10,174)</u>	<u>26</u>
Net change in fund cash balance	(154,850)	240,810	239,905	(905)
Fund cash balance at beginning of year	808,960	808,960	808,960	
Prior year encumbrances appropriated	50,377	50,377	50,377	
Fund cash balance at end of year	<u>\$704,487</u>	<u>\$1,100,147</u>	<u>\$1,099,242</u>	<u>(\$905)</u>

See accompanying notes to the basic financial statements.

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2013

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 125,142
Cash in segregated accounts	<u>7,680</u>
Total assets	<u>\$ 132,822</u>
Net cash position:	
Due to employees	\$ 7,680
Deposits held and due to others	<u>125,142</u>
Total net cash position	<u>\$ 132,822</u>

See Accompanying Notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 currently operates 1 building, which contains 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 79 certified employees, 52 classified employees and 4 administrators to provide services to 1,150 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". 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, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Jointly Governed Organizations

Western Ohio Computer Organization

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

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

Ohio Hi-Point Joint Vocational School

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

Metropolitan Educational Council

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Educational Purchasing Council

The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the Council is to obtain lower prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and other assessments as established by the SOEPC. Each member district has one voting representative. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to the SOEPC are made from the general fund. During fiscal year 2013, the District paid \$1,105,630 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 1831 Harshman Road, Dayton, Ohio 45424.

2. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program

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

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

Ohio School Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Fund Accounting

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

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. The District has no proprietary funds.

1. Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

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

Classroom facilities fund - This fund is used to account for monies receipted and disbursed in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

2. Proprietary Funds

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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

1. Government-wide Financial Statements

The statement of net position 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 compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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.

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

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 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2013.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013; 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" on the basic financial statements.

During fiscal year 2013, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and non-negotiable certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable 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, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, and to the food service fund (a non-major governmental fund) and the classroom facilities (a nonmajor governmental fund). Interest revenue credited to the general fund during fiscal year 2013 amounted to \$10,774, which includes \$3,859 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. Capital Assets

Acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Capital leases and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted cash are available.

L. Interfund Activity

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

M. 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 2013.

3. ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with GAAP. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows, liabilities, deferred inflows, net cash position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Ohio Rev. Code §5705.10(A) states all revenue derived from the general levy for current expenses within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. The District incorrectly posted property tax receipts in the amount of \$7,936 to the Permanent Improvement fund that should have been posted to the General fund. The District's Treasurer made the adjustment to the District's accounting records and the adjustment is reflected in the accompanying financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 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, 2013
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

C. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Assets

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with GAAP. For the fiscal year ending June 30, 2013, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.D), which is a comprehensive basis of accounting other than GAAP. The District has elected to present the cash basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net assets at June 30, 2012 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals and long-term assets and liabilities.

The transition from a GAAP-basis to the cash basis of accounting had the following effect on fund balances at June 30, 2012:

	Governmental Funds			
	General	Classroom Facilities	Non-major Governmental	Total Governmental
Fund balance at June 30, 2012	\$227,016	\$304,154	\$243,850	\$775,020
Restatement due to change in reporting basis adjustments	686,011	3,385	72,092	761,488
Restated fund cash balance at June 30, 2012	<u>\$913,027</u>	<u>\$307,539</u>	<u>\$315,942</u>	<u>\$1,536,508</u>

The transition from a GAAP-basis to the cash basis of accounting had the following effect on net assets at June 30, 2012:

	Governmental Activities
Net assets at June 30, 2012	\$4,030,049
Restatement due to change in reporting basis adjustments	(2,493,541)
Restated net cash position at June 30, 2012	<u>\$1,536,508</u>

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. 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,
8. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,696,956. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$1,244,951 of the District's bank balance of \$1,744,951 was exposed to custodial risk, while \$500,000 was covered by the FDIC as discussed below.

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

B. Investments

At June 30, 2013, the District had the following investments and maturities:

Investment	Fair Value	Investment Maturity 6 months or less
STAR Ohio	\$157,119	\$157,119

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

Investment	Fair Value	% of Total
STAR Ohio	\$157,119	100.00

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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 position at June 30, 2013:

Cash and investments per note disclosure:	
Carrying amount of deposits	\$1,696,956
Investments	157,119
Total	<u>\$1,854,075</u>

Cash and investments per statement of net cash position:	
Governmental activities	\$1,721,253
Agency funds	132,822
Total	<u>\$1,854,075</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2013 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Non-major governmental fund	<u>\$10,174</u>

Transfers are used to move receipts 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 receipts 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 and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, 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 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. PROPERTY TAXES (Continued)

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$113,811,210	95.68	\$114,911,430	95.01
Public utility personal	5,055,700	4.25	6,032,290	4.99
Tangible personal property	85,311	0.07		
Total	<u>\$118,952,221</u>	<u>100.00</u>	<u>\$120,943,720</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$35.10		 \$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. The 1.0% income tax was renewed for a three year period in May 2013.

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 receipts credited to the general fund for fiscal year 2013 was \$1,850,823.

8. CAPITAL LEASE - LESSEE DISCLOSURE

In prior years, the District entered into lease agreements for printers, copiers and equipment. These lease agreements meet the criteria of a capital lease as defined by GAAP, 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 disbursements in the fund financial statements. These disbursements are reflected as function disbursements on a budgetary basis. During fiscal year 2013, the District made the final principal payment of \$12,014 and an interest payment of \$201, for a total debt service of \$12,215. These amounts are reflected as principal retirement and interest and fiscal charges disbursements in the general fund.

Under the cash-basis of accounting, no assets have been reported for the equipment under capital lease.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. LONG-TERM OBLIGATIONS

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

<u>Governmental activities:</u>	<u>Balance 6/30/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/13</u>	<u>Amount Due in One Year</u>
Capital lease obligation	\$12,014		(\$12,014)		
Total governmental activities long-term liabilities	<u>\$12,014</u>	<u>\$0</u>	<u>(\$12,014)</u>	<u>\$0</u>	<u>\$0</u>

See Note 8 for detailed information on the capital lease obligation.

B. Legal Debt Margins

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

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

The effects of these debt limitations at June 30, 2013 are a legal voted debt margin of \$10,886,992 (including available funds of \$2,057), and a legal unvoted debt margin of \$120,944.

10. 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 2013, the District contracted with Ohio School Plan (through the Stolly Insurance Group) for property, fleet insurance, liability insurance and violence coverage. Coverages provided by Ohio School Plan are as follows:

<u>Type of Coverage</u>	<u>Amount</u>
Building and Business Personal Property including EDP Replacement cost (\$1,000 deductible)	\$33,721,538
Violence Coverage	1,000,000
Automotive Liability	
Comprehensive deductibles: buses - \$1,000, all other - \$250	
Collision deductible: buses - \$1,000, all other - \$500	3,000,000
Uninsured / Underinsured Motorist Bodily Injury	1,000,000

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

10. RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Amount</u>
General Liability:	
Per Occurrence	3,000,000
Total per year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in amounts of insurance coverage for fiscal year 2013.

B. Workers' Compensation

For fiscal year 2013, 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 Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Employee Medical

The District is a member of the Southwestern Ohio Educational Purchasing Council Consortium and currently participates in their Medical Insurance Program. This program provides the district with two Plans which consist of a PPO Plan and an HDP both of which are insured with Anthem. Dental Coverage is provided by CoreSource and Vision Insurance is provided by VSP. These plans are for active employees and their covered dependents.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

11. PENSION PLANS

A. School Employees Retirement System

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$181,267, \$199,086 and \$190,501, respectively; 68.15 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. PENSION PLANS (Continued)

Funding Policy - For fiscal year 2013, 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, 2013, 2012 and 2011 were \$590,841, \$619,058 and \$649,068, respectively; 83.96 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

12. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

12. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 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 2013, the actuarially determined amount was \$20,525.

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, 2013, 2012 and 2011 were \$24,807, \$32,326 and \$54,483, respectively; 68.15 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$10,240, \$11,757 and \$12,259, respectively; 68.15 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$45,449, \$47,620 and \$49,928, respectively; 83.96 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (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 difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

<u>Net Change in Fund Balance</u>	
	<u>General fund</u>
Budget basis	\$239,905
Funds budgeted elsewhere **	439
Adjustment for encumbrances	60,249
Cash basis	<u>\$300,593</u>

** = The uniform school supplies, rotary fund and public school support fund are legally budgeted as separate special revenue funds; however, they are considered part of the general fund for financial reporting purposes.

14. 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.

15. SET-ASIDES

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. SET-ASIDES (Continued)

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

	Capital Improvements
Set-aside balance June 30, 2012	
Current year set-aside requirement	\$207,726
Current year qualifying disbursements	(43,587)
Current year offsets	(164,139)
Total	0
Balance carried forward to fiscal year 2014	0
Set-aside balance June 30, 2013	\$ 0

16. OTHER COMMITMENTS

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

Fund	Year-End Encumbrances
General fund	\$60,721
Non-major governmental funds	30,958
Total	\$91,679

17. SUBSEQUENT EVENT

On August 6th, 2013 voters for the District approved the passage of a 27-year 3.62 mills property tax and a 23-year .25 percent income tax. This passage will allow the District to proceed with a building / renovation project in conjunction with the OSFC (Ohio School Facilities Commission) also known as the OFCC (Ohio Facilities Construction Commission). On September 24, 2013, the Board authorized the issuance of bonds not to exceed a total of \$11,000,000 for the District's local share of the building/renovation project. The bonds were issued in November 2013.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$12,801		\$12,801	
National School Lunch Program	10.555	132,866		132,866	
Non-Cash Assistance (Food Distribution): National School Lunch Program	10.555		\$28,886		\$28,886
Total National School Lunch Program		<u>132,866</u>	<u>28,886</u>	<u>132,866</u>	<u>28,886</u>
Total Child Nutrition Cluster - U. S. Department of Agriculture		<u>145,667</u>	<u>28,886</u>	<u>145,667</u>	<u>28,886</u>
UNITED STATES DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	194,297		189,968	
Special Education Grants to States	84.027	212,328		209,815	
Improving Teacher Quality State Grants	84.367	23,325		23,325	
ARRA Race to the Top State Grants	84.395	<u>25,200</u>		<u>23,353</u>	
Total U. S. Department of Education		<u>455,150</u>		<u>446,461</u>	
Total Federal Financial Assistance		<u>\$600,817</u>	<u>\$28,886</u>	<u>\$592,128</u>	<u>\$28,886</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 FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

The District receives funding for the Title I Neglected program. These are reported as part of CFDA 84.010 – Title I Grants to Local Educational Agencies grant on the Schedule.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Liberty-Salem Local School District, Champaign County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 6, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District elected to change its financial presentation comparable to the requirements of *Governmental Accounting Standards* from generally accepted accounting principles (GAAP).

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2013-002 to be a significant deficiency.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 6, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the West Liberty-Salem Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the West Liberty-Salem Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the West Liberty-Salem Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 6, 2013

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States, CFDA # 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Noncompliance

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2013, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their annual financial statements according to generally accepted accounting principles.

Officials' Response:

At the West Liberty-Salem Regular Board Meeting held June 18, 2013 the Board of Education determined that the cost of preparing GAAP (General Accepted Accounting Principles) financial statements significantly exceeds the cost of non-GAAP financial statements. In the judgment of the School District, the application of GAAP, which exists principally as a guide to entities other than local governments (e.g., for –profit businesses), does not produce financial statements that are materially more accurate than non-GAAP financial statements. In light of the higher cost, absence of a material benefit, and lack of state aid to pay for the cost of having GAAP financial statements produced, the School District has chosen to return to the use of non-GAAP annual financial statements effective for the FY 2013 audit and all future years. The Board of Education and the School District is aware that this change could create a non-compliance finding in the audit report; however, it is also aware that this change will save the district in excess of \$6,000 / year when compared to the cost of preparing GAAP financial statements for the purpose of the audit.

FINDING NUMBER 2013-002

Noncompliance and Significant Deficiency

Ohio Revised Code §5705.10(A) states all revenue derived from the general levy for current expenses within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

The District incorrectly posted property tax receipts in the amount of \$7,936 to the Permanent Improvement fund that should have been posted to the General fund. The District's Treasurer made the adjustment to the District's accounting records and the adjustment is reflected in the accompanying financial statements.

**FINDING NUMBER 2013-002
(Continued)**

Failure to post receipts to the correct funds based on millage allocations provided by the County Auditor's Office results in inaccurate fund balances being reported in the District's accounting records and could result in the monies being used for purposes other than the levy allows.

The Treasurer should be diligent in assuring funds are properly posted to the correct funds in accordance with the County tax settlement information and the Ohio Revised Code.

Officials' Response:

The Treasurer is diligent in assuring funds are properly posted in the correct funds in accordance with the County tax settlement and the Ohio Revised Code as is evident by his quick response to correct this matter and the correct posting of numerous other funds as required throughout the year. In addition, these funds were clearly not used for purposes other than what the levy allows as is evident by the correction as posted and the return of the funds to the designated area.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 7, 2014**