



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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Liberty-Salem Local School District, Champaign County, Ohio (the District) as of and for the year ended June 30, 2016, 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 the West Liberty-Salem Local School District, Champaign County, Ohio, as of June 30, 2016, 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, 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 January 27, 2017, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 27, 2017

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016. 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 2016 are as follows:

- In total, net cash position of governmental activities decreased \$5,077,406 or 23.65% from fiscal year 2015.
- General cash receipts accounted for \$21,195,953 or 85.91% of all cash receipts. Program specific cash receipts in the form of charges for services and sales, and grants and contributions accounted for \$3,475,120 or 14.09% of total cash receipts of \$24,671,073.
- The District had \$29,748,479 in cash disbursements related to governmental activities; \$3,475,120 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 \$21,195,953 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$13,943,162 in cash receipts and \$12,533,675 in cash disbursements and other financing uses. During fiscal year 2016, the general fund's fund cash balance increased \$1,409,487 from a balance of \$3,646,178 to \$5,055,665.
- The classroom facilities capital projects fund, a District major fund, had cash receipts of \$9,127,614 in 2016. Cash disbursements and other financing uses for 2016 totaled \$15,272,595. The classroom facilities capital projects fund cash balance decreased \$6,144,981 from a cash balance of \$15,153,616 in 2015 to a cash balance of \$9,008,635 in 2016.

**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 major funds, with the general fund being the most significant fund to the District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 2016?" 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 13-14 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 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's 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.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

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. The governmental fund statements can be found on pages 15-16 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 17 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 18. 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 19-44 of this report.

**The District as a Whole**

The table below provides a summary of the District's net cash position at June 30, 2016 and June 30, 2015.

|  | <b>Net Cash Position</b>                    |   |
|--|---|---|
|  | <b>Governmental<br/>Activities<br/>2016</b> | <b>Governmental<br/>Activities<br/>2015</b> |
| <b>Assets:</b>                             |   |   |
| Equity in pooled cash and cash equivalents | \$16,392,018                                | \$21,469,424                                |
| Total assets                               | 16,392,018                                  | 21,469,424                                  |
| <b>Net Cash Position:</b>                  |   |   |
| Restricted                                 | 11,336,353                                  | 17,823,246                                  |
| Unrestricted                               | 5,055,665                                   | 3,646,178                                   |
| Total Net Cash Position                    | \$16,392,018                                | \$21,469,424                                |

The total net cash position of the District decreased \$5,077,406 from fiscal year 2015 due to the disbursements for the OFCC building project. A portion of the District's net cash position, \$11,336,353, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$5,055,665 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

The table below shows the change in net cash assets for fiscal years 2016 and 2015.

| <b>Change in Net Cash Position</b>  |   |   |
|---|---|---|
|   | <b>Governmental<br/>Activities<br/>2016</b> | <b>Governmental<br/>Activities<br/>2015</b> |
| <b>Receipts:</b>  |   |   |
| <b>Program Cash Receipts:</b>   |   |   |
| Changes for services and sales  | \$2,316,745                                 | \$2,198,303                                 |
| Operating grants and contributions  | 1,158,375                                   | 1,182,635                                   |
| <b>General Cash Receipts:</b>   |   |   |
| Property taxes  | 3,093,775                                   | 3,024,526                                   |
| Income taxes  | 2,403,647                                   | 2,288,402                                   |
| Grants and entitlements restricted for<br>Ohio School Facilities Commission | 9,079,398                                   | 6,858,789                                   |
| Grants and entitlements not restricted to<br>specific programs              | 6,235,706                                   | 5,930,077                                   |
| Investment earnings   | 73,021                                      | 69,891                                      |
| Other   | 310,406                                     | 170,527                                     |
| <b>Total Receipts</b>   | <b>24,671,073</b>                           | <b>21,723,150</b>                           |

The increase from the prior year can be attributed to the increase in grants and entitlements for the District's construction project. During 2016, there were increases in grants and entitlements, property and income taxes. The charges for services and sales program cash receipts increase can be attributed to an increase in open enrollment.

| <b>Change in Net Cash Position</b>              |   |   |
|---|---|---|
|   | <b>Governmental<br/>Activities<br/>2016</b> | <b>Governmental<br/>Activities<br/>2015</b> |
| <b>Cash Disbursements:</b>                      |   |   |
| <b>Program Disbursements:</b>                   |   |   |
| <b>Instruction:</b>                             |   |   |
| Regular   | \$4,970,761                                 | \$4,897,719                                 |
| Special   | 2,544,171                                   | 2,465,904                                   |
| Vocational                                      | 199,942                                     | 185,761                                     |
| Other   | 433,793                                     | 476,650                                     |
| <b>Support Services:</b>                        |   |   |
| Pupil   | 536,409                                     | 583,722                                     |
| Instructional Staff                             | 491,701                                     | 574,273                                     |
| Board of Education                              | 33,779                                      | 28,577                                      |
| Administration                                  | 801,388                                     | 786,788                                     |
| Fiscal  | 539,514                                     | 505,275                                     |
| Operations and Maintenance                      | 1,039,381                                   | 979,625                                     |
| Pupil Transportation                            | 590,088                                     | 743,953                                     |
| <b>Operation of Non-Instructional Services:</b> |   |   |
| Other Non-Instructional Services                | 3,600                                       | 3,600                                       |
| Food Service Operations                         | 414,062                                     | 438,754                                     |
| Extracurricular Activities                      | 635,485                                     | 607,010                                     |
| Facilities Acquisition and Construction         | 15,857,002                                  | 1,073,848                                   |

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

**Change in Net Cash Position  
(Continued)**

|  | <b>Governmental<br/>Activities<br/>2016</b> | <b>Governmental<br/>Activities<br/>2015</b> |
|--|---|---|
| <b>Cash Disbursements: (Continued)</b> |   |   |
| <b>Debt Service:</b>                   |   |   |
| Principal Retirement                   | 245,000                                     | 230,000                                     |
| Interest and Fiscal Charges            | 412,403                                     | 415,965                                     |
| Total Cash Disbursements               | <u>29,748,479</u>                           | <u>14,997,424</u>                           |
| Change in Net Cash Position            | <u>(5,077,406)</u>                          | <u>6,725,726</u>                            |
| Net Cash Position at Beginning of Year | <u>21,469,424</u>                           | <u>14,743,698</u>                           |
| Net Cash Position at End of Year       | <u>\$16,392,018</u>                         | <u>\$21,469,424</u>                         |

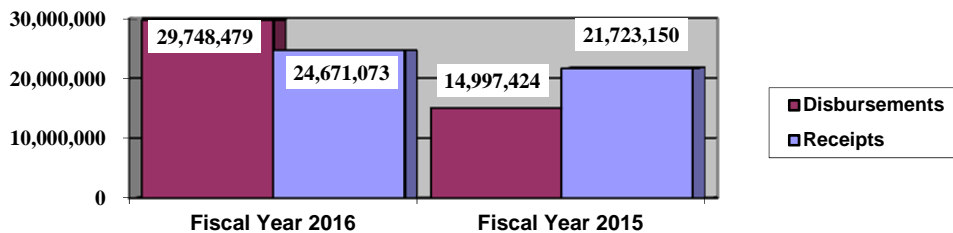
**Governmental Activities**

Net cash position of the District's governmental activities decreased \$5,077,406. Total governmental cash disbursements of \$29,748,479 were offset by program cash receipts of \$3,475,120 and general cash receipts of \$21,195,953. Program cash receipts supported 11.68% of the total governmental cash disbursements. The largest governmental disbursements were facilities acquisition and construction disbursements which totaled \$15,857,002 or 53.30% of total governmental disbursements for fiscal 2016.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These receipt sources represent 84.36% of total governmental receipts.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2016 and 2015

**Governmental Activities - Cash Receipts and Cash Disbursements**



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.

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

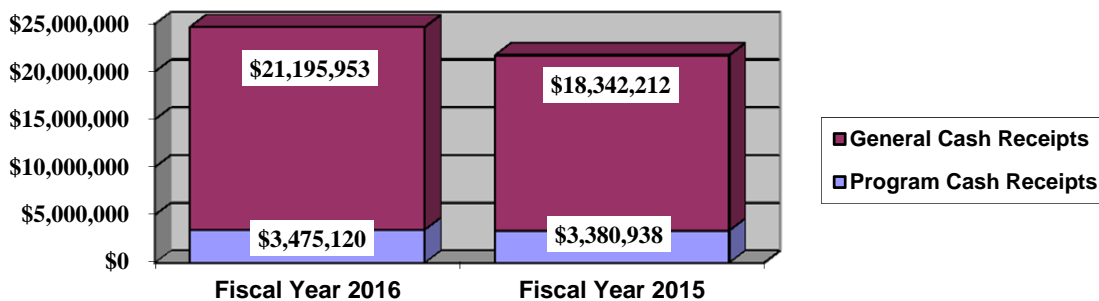
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

| <b>Governmental Activities</b>                  |  |  |  |  |
|---|--|--|--|--|
|   | <b>Total Cost of<br/>Services<br/>2016</b> | <b>Net Cost of<br/>Services<br/>2016</b> | <b>Total Cost of<br/>Services<br/>2015</b> | <b>Net Cost of<br/>Services<br/>2015</b> |
| <b>Cash disbursements:</b>                      |  |  |  |  |
| <b>Instruction:</b>                             |  |  |  |  |
| Regular   | \$4,970,761                                | \$3,571,453                              | \$4,897,719                                | \$3,806,547                              |
| Special   | 2,544,171                                  | 1,439,120                                | 2,465,904                                  | 1,152,852                                |
| Vocational                                      | 199,942                                    | 158,717                                  | 185,761                                    | 144,536                                  |
| Other   | 433,793                                    | 433,793                                  | 476,650                                    | 476,650                                  |
| <b>Support services:</b>                        |  |  |  |  |
| Pupil   | 536,409                                    | 321,104                                  | 583,722                                    | 365,494                                  |
| Instructional staff                             | 491,701                                    | 491,701                                  | 574,273                                    | 574,273                                  |
| Board of education                              | 33,779                                     | 33,779                                   | 28,577                                     | 28,577                                   |
| Administration                                  | 801,388                                    | 800,177                                  | 786,788                                    | 785,567                                  |
| Fiscal  | 539,514                                    | 539,514                                  | 505,275                                    | 505,275                                  |
| Operations and maintenance                      | 1,039,381                                  | 1,020,756                                | 979,625                                    | 961,000                                  |
| Pupil transportation                            | 590,088                                    | 552,652                                  | 743,953                                    | 706,517                                  |
| <b>Operation of non-instructional services:</b> |  |  |  |  |
| Other non-instructional services                | 3,600                                      |  | 3,600                                      |  |
| Food service operations                         | 414,062                                    | (6,420)                                  | 438,754                                    | 6,261                                    |
| Extracurricular activities                      | 635,485                                    | 402,608                                  | 607,010                                    | 383,124                                  |
| Facilities acquisition and construction         | 15,857,002                                 | 15,857,002                               | 1,073,848                                  | 1,073,848                                |
| <b>Debt service:</b>                            |  |  |  |  |
| Principal retirement                            | 245,000                                    | 245,000                                  | 230,000                                    | 230,000                                  |
| Interest and fiscal charges                     | 412,403                                    | 412,403                                  | 415,965                                    | 415,965                                  |
| <b>Total cash disbursements</b>                 | <b>\$29,748,479</b>                        | <b>\$26,273,359</b>                      | <b>\$14,997,424</b>                        | <b>\$11,616,486</b>                      |

The dependence upon general cash receipts for governmental activities is apparent; with 88.32% of cash disbursements supported through taxes and other general cash receipts during 2016.

The graph below presents the District's governmental activities cash receipts for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Cash Receipts**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$16,392,018, which is lower than last year's total fund cash balance of \$21,469,424. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015.

|                      | <b>Fund Cash<br/>Balance<br/>June 30, 2016</b> | <b>Fund Cash<br/>Balance<br/>June 30, 2015</b> | <b>Increase/<br/>(Decrease)</b> | <b>Percentage<br/>Change</b> |
|----------------------|--|--|---------------------------------|------------------------------|
| General              | \$5,055,665                                    | \$3,646,178                                    | \$1,409,487                     | 38.66 %                      |
| Classroom Facilities | 9,008,635                                      | 15,153,616                                     | (6,144,981)                     | (40.55) %                    |
| Other Governmental   | 2,327,718                                      | 2,669,630                                      | (341,912)                       | (12.81) %                    |
| Total                | <u>\$16,392,018</u>                            | <u>\$21,469,424</u>                            | <u>(\$5,077,406)</u>            | (23.65) %                    |

**General Fund**

The general fund had cash receipts of \$13,943,162 in 2016. The cash disbursements and other financing uses of the general fund, totaled \$12,533,675 in 2016. The general fund's cash balance increased \$1,409,487 in 2016. This increase can be attributed to an increase in intergovernmental receipts and property and income taxes.

Overall cash receipts increased \$759,555 during fiscal year 2016. Tuition receipts increased \$155,032 from the prior year. This increase can be attributed to an increase in open enrollment. The increase in intergovernmental receipts can be attributed to an increase State Foundation funding.

Overall cash disbursements decreased \$36,913 or 0.30% during fiscal year 2016. The decrease in cash disbursements for support services of \$165,275 or 4.19% can be attributed to the decrease in pupil transportation expenses compared to the prior year.

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

|                            | <b>2016<br/>Amount</b> | <b>2015<br/>Amount</b> | <b>Increase<br/>(Decrease)</b> | <b>Percentage<br/>Change</b> |
|----------------------------|------------------------|------------------------|--------------------------------|------------------------------|
| <b>Cash receipts</b>       |                        |                        |                                |                              |
| Taxes                      | \$4,978,606            | \$4,806,384            | \$172,222                      | 3.58 %                       |
| Tuition                    | 1,795,069              | 1,640,037              | 155,032                        | 9.45 %                       |
| Earnings on investments    | 15,146                 | 9,100                  | 6,046                          | 66.44 %                      |
| Intergovernmental          | 6,741,007              | 6,433,598              | 307,409                        | 4.78 %                       |
| Other revenues             | 413,334                | 294,488                | 118,846                        | 40.36 %                      |
| Total                      | <u>\$13,943,162</u>    | <u>13,183,607</u>      | <u>759,555</u>                 | 5.76 %                       |
| <b>Cash disbursements</b>  |                        |                        |                                |                              |
| Instruction                | 7,802,719              | 7,692,148              | 110,571                        | 1.44 %                       |
| Support services           | 3,778,966              | 3,944,241              | (165,275)                      | (4.19) %                     |
| Extracurricular activities | 491,722                | 473,931                | 17,791                         | 3.75 %                       |
| Total                      | <u>\$12,073,407</u>    | <u>\$12,110,320</u>    | <u>(\$36,913)</u>              | (0.30) %                     |

**Classroom Facilities Fund**

The classroom facilities fund, a District major fund, had cash receipts of \$9,127,614 in 2016. Cash disbursements and other financing uses for 2016 totaled \$15,272,595. The classroom facilities capital projects fund cash balance decreased \$6,144,981 from a cash balance of \$15,153,616 in 2015.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

**General Fund Budgeting Highlights**

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

For the general fund, final budgetary basis receipts of \$13,774,257 were more than the original budget estimates of \$12,972,043. Actual cash receipts of \$13,761,807 were less than final budget estimates by \$12,450. The final budgetary basis disbursements of \$13,225,248 were more than the original budget estimates of \$13,150,720. The actual budgetary basis disbursements of \$12,430,111 were \$795,137 less than the final budget estimates.

**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**

The District had the following long-term obligations outstanding at June 30, 2016.

| <b>Outstanding Debt, at Year End</b> |   |   |
|--------------------------------------|---|---|
|                                      | <b>Governmental<br/>Activities<br/>2016</b> | <b>Governmental<br/>Activities<br/>2015</b> |
| General Obligation Bonds             | \$10,599,528                                | \$10,808,901                                |
| Total                                | \$10,599,528                                | \$10,808,901                                |

See Note 8 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, 1% for a three-year renewable term and a ¼% to help pay off a portion of the Building Project debt for a 23 year term) and Unrestricted State Aid. The District did experience an increase to all three of these receipt line items during fiscal year 2016. 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. The 1% income tax was renewed in March 2016 and will be up for renewal again in 2019. The District did have general fund receipts in excess of disbursements for fiscal year 2016. This positive change was directly related to increase revenues and reduction in overall expenses for the year. In regards to State funding, our largest area of receipts, the District did experience an increase in this source of revenue due to positive changes in the new State Bi-annual Budget for fiscal year 2016 and 2017. There were times throughout the year that the District was considered a formula district and other times the district was considered a guarantee District. This funding change back and forth was driven by our student enrollment which varies throughout the year. If this trend should continue the district could become a guarantee district for the entire year. If this happens it could create a negative funding impact for the District in future years since the Governor has expressed his desire to eliminate the guarantee in his next 2-year budget.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)  
(Continued)**

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.

District voters did approve a new Combination Levy for the OSFC /OFCC Building Project during a special election in August 2013. The District share of the project is \$9,362,527 including an LFI (Locally Funded Initiative) amount of \$175,490 and the State share of the project is \$19,522,454. Total project cost is anticipated to be approximately \$30,000,000. The combination levy 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 a fixed rate of 4.31%. The District's total debt of \$11,000,000 includes the District's State share of \$9,362,527 plus \$1,475,490 for a limited number of LFI (Locally Funded Initiative) projects not funded by the OSFC. The District currently has no other outstanding debt other than this new issue.

The District continues to look at ways of reducing and or maintaining expenses while still providing quality education services. Fiscal year 2016 was the second year in which all employees received a pay increase after their wages had been reduced or frozen since fiscal year 2012. New negotiated agreements for Certified and Non-Certified employees will be discussed and agreed to during the spring / summer of 2017. Past negotiated agreements have been for a three period and it is anticipated that trend will continue. The District does have an active health insurance committee and this committee is always reviewing and examining ways to reduce and or control health insurance cost for the district and the staff. For fiscal year 2017 all health insurance rates increased by 5%. Future years have been projected to increase at a 7% level.

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 2017, decreasing enrollment which appears to be in direct correlation to the number of empty houses for sale in the district, the future impact of Community & Charter school deductions and the possible government funding revision of Open Enrollment students. The biggest of these concerns has to be what will happen to State funding after fiscal year 2017 when a new 2-year budget will be required and created by the Governor's office.

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, 2016**

|  | <u><b>Governmental<br/>Activities</b></u> |
|--|---|
| <b>Assets:</b>                             |   |
| Equity in pooled cash and cash equivalents | \$16,392,018                              |
| Total assets                               | <u>16,392,018</u>                         |
| <br><b>Net cash position:</b>              |   |
| <b>Restricted for:</b>                     |   |
| Capital projects                           | 10,692,251                                |
| Classroom facilities maintenance           | 237,291                                   |
| Debt service                               | 236,796                                   |
| Federally funded programs                  | 22,998                                    |
| Student activities                         | 34,832                                    |
| Other purposes                             | 112,185                                   |
| Unrestricted                               | <u>5,055,665</u>                          |
| Total net cash position                    | <u><u>\$16,392,018</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, 2016**

|   | <u>Cash</u>          | <u>Program Cash Receipts</u> |                          | <u>Net (Disbursement)</u> |
|---|----------------------|------------------------------|--------------------------|---------------------------|
|   | <u>Disbursements</u> | <u>Charges for</u>           | <u>Operating Grants</u>  | <u>Receipts and</u>       |
|   |                      | <u>Services and Sales</u>    | <u>and Contributions</u> | <u>Changes in</u>         |
|   |                      |                              |                          | <u>Net Cash Position</u>  |
|   |                      |                              |                          | <u>Governmental</u>       |
|   |                      |                              |                          | <u>Activities</u>         |
| <b>Governmental activities:</b>                 |                      |                              |                          |                           |
| <b>Instruction:</b>                             |                      |                              |                          |                           |
| Regular   | \$4,970,761          | \$1,399,308                  |                          | (\$3,571,453)             |
| Special   | 2,544,171            | 405,885                      | \$699,166                | (1,439,120)               |
| Vocational                                      | 199,942              |                              | 41,225                   | (158,717)                 |
| Other   | 433,793              |                              |                          | (433,793)                 |
| <b>Support services:</b>                        |                      |                              |                          |                           |
| Pupil   | 536,409              |                              | 215,305                  | (321,104)                 |
| Instructional staff                             | 491,701              |                              |                          | (491,701)                 |
| Board of education                              | 33,779               |                              |                          | (33,779)                  |
| Administration                                  | 801,388              |                              | 1,211                    | (800,177)                 |
| Fiscal  | 539,514              |                              |                          | (539,514)                 |
| Operations and maintenance                      | 1,039,381            |                              | 18,625                   | (1,020,756)               |
| Pupil transportation                            | 590,088              |                              | 37,436                   | (552,652)                 |
| <b>Operation of non-instructional services:</b> |                      |                              |                          |                           |
| Other non-instructional services                | 3,600                |                              | 3,600                    |                           |
| Food service operations                         | 414,062              | 290,205                      | 130,277                  | 6,420                     |
| Extracurricular activities                      | 635,485              | 221,347                      | 11,530                   | (402,608)                 |
| Facilities acquisition and construction         | 15,857,002           |                              |                          | (15,857,002)              |
| <b>Debt service:</b>                            |                      |                              |                          |                           |
| Principal retirement                            | 245,000              |                              |                          | (245,000)                 |
| Interest and fiscal charges                     | 412,403              |                              |                          | (412,403)                 |
| <b>Total governmental activities</b>            | <u>\$29,748,479</u>  | <u>\$2,316,745</u>           | <u>\$1,158,375</u>       | <u>(26,273,359)</u>       |
| <br><b>General cash receipts:</b>               |                      |                              |                          |                           |
| <b>Property taxes levied for:</b>               |                      |                              |                          |                           |
|   |                      |                              |                          | 2,574,959                 |
|   |                      |                              |                          | 380,588                   |
|   |                      |                              |                          | 138,228                   |
| <b>Income taxes levied for:</b>                 |                      |                              |                          |                           |
|   |                      |                              |                          | 2,403,647                 |
|   |                      |                              |                          | 9,079,398                 |
|   |                      |                              |                          | 6,235,706                 |
|   |                      |                              |                          | 73,021                    |
|   |                      |                              |                          | 310,406                   |
|   |                      |                              |                          | <u>21,195,953</u>         |
|   |                      |                              |                          | (5,077,406)               |
|   |                      |                              |                          | <u>21,469,424</u>         |
|   |                      |                              |                          | <u>\$16,392,018</u>       |

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, 2016**

|  | <u>General</u>     | <u>Classroom<br/>Facilities</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------|---------------------------------|---|---|
| <b>Assets:</b>                             |                    |                                 |   |   |
| Equity in pooled cash and cash equivalents | \$5,055,665        | \$9,008,635                     | \$2,327,718                                 | \$16,392,018                            |
| Total assets                               | <u>5,055,665</u>   | <u>9,008,635</u>                | <u>2,327,718</u>                            | <u>16,392,018</u>                       |
| <b>Fund cash balances:</b>                 |                    |                                 |   |   |
| <b>Restricted:</b>                         |                    |                                 |   |   |
| Debt service                               |                    |                                 | 236,796                                     | 236,796                                 |
| Capital improvements                       |                    | 9,008,635                       | 1,683,616                                   | 10,692,251                              |
| Classroom facilities maintenance           |                    |                                 | 237,291                                     | 237,291                                 |
| Food service operations                    |                    |                                 | 112,185                                     | 112,185                                 |
| Special education                          |                    |                                 | 19,900                                      | 19,900                                  |
| Targeted academic assistance               |                    |                                 | 3,098                                       | 3,098                                   |
| Extracurricular                            |                    |                                 | 34,832                                      | 34,832                                  |
| <b>Assigned:</b>                           |                    |                                 |   |   |
| Student instruction                        | 3,875              |                                 |   | 3,875                                   |
| Student and staff support                  | 107,958            |                                 |   | 107,958                                 |
| Subsequent year's appropriations           | 537,417            |                                 |   | 537,417                                 |
| School Supplies                            | 21,879             |                                 |   | 21,879                                  |
| Other purposes                             | 15,648             |                                 |   | 15,648                                  |
| Unassigned                                 | 4,368,888          |                                 |   | 4,368,888                               |
| Total fund cash balances                   | <u>\$5,055,665</u> | <u>\$9,008,635</u>              | <u>\$2,327,718</u>                          | <u>\$16,392,018</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, 2016**

|  | <u>General</u>     | <u>Classroom<br/>Facilities</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------|---------------------------------|---|---|
| <b>Cash receipts:</b>  |                    |                                 |   |   |
| <b>From local sources:</b>   |                    |                                 |   |   |
| Property taxes   | \$2,574,959        |                                 | \$518,816                                   | \$3,093,775                             |
| Income taxes   | 2,403,647          |                                 |   | 2,403,647                               |
| Tuition  | 1,795,069          |                                 |   | 1,795,069                               |
| Earnings on investments  | 15,146             | \$48,216                        | 9,659                                       | 73,021                                  |
| Charges for services   |                    |                                 | 290,205                                     | 290,205                                 |
| Extracurricular  | 113,469            |                                 | 107,628                                     | 221,097                                 |
| Classroom materials and fees   | 250                |                                 |   | 250                                     |
| Contract services  | 10,124             |                                 |   | 10,124                                  |
| Other local revenues   | 289,491            |                                 | 38,718                                      | 328,209                                 |
| Intergovernmental - state  | 6,741,007          | 9,079,398                       | 93,519                                      | 15,913,924                              |
| Intergovernmental - federal  |                    |                                 | 541,752                                     | 541,752                                 |
| Total receipts   | <u>13,943,162</u>  | <u>9,127,614</u>                | <u>1,600,297</u>                            | <u>24,671,073</u>                       |
| <b>Cash disbursements:</b>   |                    |                                 |   |   |
| <b>Current:</b>  |                    |                                 |   |   |
| <b>Instruction:</b>  |                    |                                 |   |   |
| Regular  | 4,830,259          |                                 | 140,502                                     | 4,970,761                               |
| Special  | 2,338,725          |                                 | 205,446                                     | 2,544,171                               |
| Vocational   | 199,942            |                                 |   | 199,942                                 |
| Other  | 433,793            |                                 |   | 433,793                                 |
| <b>Support services:</b>   |                    |                                 |   |   |
| Pupil  | 335,566            |                                 | 200,843                                     | 536,409                                 |
| Instructional staff  | 491,701            |                                 |   | 491,701                                 |
| Board of education   | 33,779             |                                 |   | 33,779                                  |
| Administration   | 800,138            |                                 | 1,250                                       | 801,388                                 |
| Fiscal   | 521,582            |                                 | 17,932                                      | 539,514                                 |
| Operations and maintenance   | 1,006,112          |                                 | 33,269                                      | 1,039,381                               |
| Pupil transportation   | 590,088            |                                 |   | 590,088                                 |
| <b>Operation of non-instructional services:</b>                      |                    |                                 |   |   |
| Other operation of non-instructional                                 |                    |                                 | 3,600                                       | 3,600                                   |
| Food service operations  |                    |                                 | 414,062                                     | 414,062                                 |
| Extracurricular activities   | 491,722            |                                 | 143,763                                     | 635,485                                 |
| Facilities acquisition and construction                              |                    | 15,043,272                      | 813,730                                     | 15,857,002                              |
| <b>Debt service:</b>   |                    |                                 |   |   |
| Principal retirement   |                    |                                 | 245,000                                     | 245,000                                 |
| Interest and fiscal charges  |                    |                                 | 412,403                                     | 412,403                                 |
| Total disbursements  | <u>12,073,407</u>  | <u>15,043,272</u>               | <u>2,631,800</u>                            | <u>29,748,479</u>                       |
| Excess (deficiency) of cash receipts over (under) cash disbursements | <u>1,869,755</u>   | <u>(5,915,658)</u>              | <u>(1,031,503)</u>                          | <u>(5,077,406)</u>                      |
| <b>Other financing sources (uses):</b>                               |                    |                                 |   |   |
| Transfers in   |                    |                                 | 689,591                                     | 689,591                                 |
| Transfers (out)  | (460,268)          | (229,323)                       |   | (689,591)                               |
| Total other financing sources (uses)                                 | <u>(460,268)</u>   | <u>(229,323)</u>                | <u>689,591</u>                              |   |
| Net change in fund cash balances                                     | 1,409,487          | (6,144,981)                     | (341,912)                                   | (5,077,406)                             |
| Fund cash balances at beginning of year                              | 3,646,178          | 15,153,616                      | 2,669,630                                   | 21,469,424                              |
| Fund cash balances at end of year                                    | <u>\$5,055,665</u> | <u>\$9,008,635</u>              | <u>\$2,327,718</u>                          | <u>\$16,392,018</u>                     |

See accompanying notes to the 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, 2016**

|  | <u>Budgeted Amounts</u> |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|--------------------|--------------------|---|
|  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>      |   |
| <b>Budgetary cash receipts</b>                     |                         |                    |                    |   |
| <b>From local sources:</b>                         |                         |                    |                    |   |
| Property taxes                                     | \$2,529,956             | \$2,561,941        | \$2,574,959        | \$13,018  |
| Income taxes                                       | 2,311,287               | 2,391,495          | 2,403,647          | 12,152  |
| Tuition  | 1,670,000               | 1,887,189          | 1,795,069          | (92,120)  |
| Earnings on investments                            | 9,000                   | 13,432             | 15,146             | 1,714   |
| Contract services                                  | 10,000                  | 10,073             | 10,124             | 51  |
| Other local revenues                               | 145,000                 | 248,552            | 204,093            | (44,459)  |
| Intergovernmental - state                          | 6,277,300               | 6,641,381          | 6,741,007          | 99,626  |
| Total budgetary cash receipts                      | <u>12,952,543</u>       | <u>13,754,063</u>  | <u>13,744,045</u>  | <u>(10,018)</u>   |
| <b>Budgetary cash disbursements</b>                |                         |                    |                    |   |
| <b>Current:</b>                                    |                         |                    |                    |   |
| <b>Instruction:</b>                                |                         |                    |                    |   |
| Regular  | 5,270,562               | 5,127,549          | 4,856,942          | 270,607   |
| Special  | 2,378,765               | 2,405,600          | 2,338,725          | 66,875  |
| Vocational   | 197,613                 | 210,850            | 200,970            | 9,880   |
| Other  | 546,728                 | 536,000            | 433,793            | 102,207   |
| <b>Support services:</b>                           |                         |                    |                    |   |
| Pupil  | 337,362                 | 343,914            | 312,666            | 31,248  |
| Instructional staff                                | 538,233                 | 555,516            | 496,092            | 59,424  |
| Board of education                                 | 36,051                  | 36,003             | 33,779             | 2,224   |
| Administration                                     | 847,622                 | 865,495            | 801,893            | 63,602  |
| Fiscal   | 495,660                 | 527,000            | 524,722            | 2,278   |
| Operations and maintenance                         | 1,120,735               | 1,119,243          | 1,038,194          | 81,049  |
| Pupil transportation                               | 666,115                 | 678,728            | 621,917            | 56,811  |
| Extracurricular activities                         | 339,802                 | 339,350            | 310,150            | 29,200  |
| Total budgetary cash disbursements                 | <u>12,775,248</u>       | <u>12,745,248</u>  | <u>11,969,843</u>  | <u>775,405</u>  |
| Excess of cash receipts over<br>cash disbursements | <u>177,295</u>          | <u>1,008,815</u>   | <u>1,774,202</u>   | <u>765,387</u>  |
| <b>Other financing sources (uses):</b>             |                         |                    |                    |   |
| Refund of prior year's expenditures                | 19,500                  | 20,194             | 17,762             | (2,432)   |
| Transfers (out)                                    | (375,472)               | (480,000)          | (460,268)          | 19,732  |
| Total other financing sources (uses)               | <u>(355,972)</u>        | <u>(459,806)</u>   | <u>(442,506)</u>   | <u>17,300</u>   |
| Net change in fund cash balance                    | (178,677)               | 549,009            | 1,331,696          | 782,687   |
| Fund cash balance at beginning of year             | 3,528,351               | 3,528,351          | 3,528,351          |   |
| Prior year encumbrances appropriated               | 46,258                  | 46,258             | 46,258             |   |
| Fund cash balance at end of year                   | <u>\$3,395,932</u>      | <u>\$4,123,618</u> | <u>\$4,906,305</u> | <u>\$782,687</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, 2016**

|  | <u>Agency</u>           |
|--|-------------------------|
| <b>Assets:</b>                             |                         |
| Equity in pooled cash and cash equivalents | \$147,368               |
| Cash in segregated accounts                | <u>8,520</u>            |
| Total assets                               | <u><u>155,888</u></u>   |
| <br>                                       |                         |
| <b>Net cash position:</b>                  |                         |
| Due to employees                           | 8,520                   |
| Deposits held and due to others            | <u>147,368</u>          |
| Total net cash position                    | <u><u>\$155,888</u></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, 2016**

**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 85 certified employees, 51 classified employees and 5 administrators to provide services to 1,077 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, 2016  
(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 Midwest Regional Educational Service Center). Financial information is available from Marcia Wierwille, Financial Officer, 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, James Grube, who serves as director, 2100 Citygate Drive, Columbus, Ohio 43219.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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 2016, the District paid \$1,268,718 to the SOEPC. Financial information can be obtained by writing to Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as director, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**2. Insurance Purchasing Pools**

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

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

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

**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, 811 Madison Avenue, Toledo, Ohio 43604.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of 55 school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plan offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information may be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**B. Fund Accounting**

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

**1. Governmental Funds**

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 received 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, 2016  
(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 non-major 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, 2016  
(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 2016 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 2016.
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, 2016  
(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, 2016; 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 re-appropriated. 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 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. government money market and negotiable and non-negotiable certificates of deposits. 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, 2016.

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 non-major governmental fund). Interest revenue credited to the general fund during fiscal year 2016 amounted to \$15,146, which includes \$4,241 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.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

**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.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

**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 2016.

**N. Pensions**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

**B. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

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, 2016  
(Continued)**

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

**A. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$9,994,319. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", \$3,535,575 of the District's bank balance of \$10,058,598 was covered by the FDIC, while \$1,939,006 is collateralized with a letter of credit in the District's name and \$4,584,017 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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, 2016, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u>  | <u>Investment Maturities</u> |                       |
|------------------------|--------------------|------------------------------|-----------------------|
|                        |                    | <u>6 Months or Less</u>      | <u>7 to 12 Months</u> |
| Star Ohio              | \$2,566,885        | \$2,566,885                  |                       |
| Negotiable CDs         | 3,981,000          | 3,237,000                    | \$744,000             |
| US Money Market        | 5,702              | 5,702                        |                       |
| Total                  | <u>\$6,553,587</u> | <u>\$5,809,587</u>           | <u>\$744,000</u>      |

**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 negotiable CD's and U.S. money market are not rated. The negotiable certificates of deposit are fully insured by the FDIC. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

**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, 2016:

| <u>Investment</u> | <u>Fair Value</u>  | <u>% of Total</u> |
|-------------------|--------------------|-------------------|
| Star Ohio         | \$2,566,885        | 39.17             |
| Negotiable CDs    | 3,981,000          | 60.74             |
| US Money Market   | 5,702              | 0.09              |
| Total             | <u>\$6,553,587</u> | <u>100.00</u>     |

**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 cash position a June 30, 2016:

**Cash and Investments per Note Disclosure**

|                             |                     |
|-----------------------------|---------------------|
| Carrying amount of deposits | \$9,994,319         |
| Investments                 | <u>6,553,587</u>    |
| Total                       | <u>\$16,547,906</u> |

**Cash and Investments per Statement of Net Cash Position**

|                         |                     |
|-------------------------|---------------------|
| Governmental Activities | \$16,392,018        |
| Agency Funds            | <u>155,888</u>      |
| Total                   | <u>\$16,547,906</u> |

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following, as reported on the fund financial statements:

|   |                  |
|---|------------------|
| <b>Transfers from General Fund to:</b>              | <b>Amount</b>    |
| Non-Major Governmental Fund                         | <u>\$460,268</u> |
| <b>Transfers from Classroom Facilities Fund to:</b> |                  |
| Non-Major Governmental Fund                         | <u>229,323</u>   |
| Total   | <u>\$689,591</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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

The District receives property taxes from Champaign and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

|  | <b>2015 Second<br/>Half Collections</b> |                | <b>2016 First<br/>Half Collections</b> |                |
|--|---|----------------|--|----------------|
|  | <b>Amount</b>                           | <b>Percent</b> | <b>Amount</b>                          | <b>Percent</b> |
| Agricultural/residential and other real estate | \$135,093,680                           | 95.82          | \$134,535,870                          | 95.75          |
| Public Utility Personal                        | 5,887,720                               | 4.18           | 5,962,092                              | 4.25           |
| Total  | <u>\$140,981,400</u>                    | <u>100.00</u>  | <u>\$140,497,962</u>                   | <u>100.00</u>  |
| Tax rate per \$1,000 of assessed valuation     | \$38.16                                 |                | \$38.16                                |                |

**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 2016.

During fiscal year 2014, voters of the District passed a Combination Levy which included a new 0.25% income tax for a 23 year term. The proceeds from this additional 0.25% will be used to help pay off a portion of the new bond debt for the building project and help the District meet the Ohio School Facilities Commission classroom facility maintenance requirement for the building project.

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 2016 was \$2,403,647.

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(Continued)**

**8. LONG-TERM OBLIGATIONS**

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

| <b>General Obligation Bonds:</b> | <b>Balance<br/>6/30/15</b> | <b>Increases</b> | <b>Decreases</b>   | <b>Balance<br/>6/30/16</b> | <b>Amount<br/>Due in<br/>One Year</b> |
|----------------------------------|----------------------------|------------------|--------------------|----------------------------|---------------------------------------|
| <b>Series 2013A</b>              |                            |                  |                    |                            |                                       |
| Current interest                 | \$7,370,000                |                  | (\$125,000)        | \$7,245,000                | \$125,000                             |
| Capital appreciation bonds       | 64,992                     |                  |                    | 64,992                     |                                       |
| Accreted interest on bonds       | 31,138                     | \$28,387         |                    | 59,525                     |                                       |
| Total Series 2013A               | <u>7,466,130</u>           | <u>28,387</u>    | <u>(125,000)</u>   | <u>7,369,517</u>           | <u>125,000</u>                        |
| <b>Series 2013B</b>              |                            |                  |                    |                            |                                       |
| Current interest                 | 3,320,000                  |                  | (120,000)          | 3,200,000                  | 120,000                               |
| Capital appreciation bonds       | 14,993                     |                  |                    | 14,993                     |                                       |
| Accreted interest on bonds       | 7,778                      | 7,240            |                    | 15,018                     |                                       |
| Total Series 2013B               | <u>3,342,771</u>           | <u>7,240</u>     | <u>(120,000)</u>   | <u>3,230,011</u>           | <u>120,000</u>                        |
| Total General Obligation Bonds   | <u>\$10,808,901</u>        | <u>\$35,627</u>  | <u>(\$245,000)</u> | <u>\$10,599,528</u>        | <u>\$245,000</u>                      |

**B. Series 2013 General Obligation Bonds**

On November 13, 2013, the District issued general obligation bonds, in the amount of \$10,999,985, for the purpose of paying the local share of school construction under the State of Ohio Classroom Facilities Assistance Program. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$6,635,000, \$4,285,000 and \$79,985. The bonds are retired from the bond retirement fund, with a portion of the proceeds of a 3.62 mill voted property tax levy.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2019 through 2022. The maturity amount of the capital appreciation bonds is \$530,000 with \$450,015 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$74,543.

Future debt requirements are below:

| <b>Year</b> | <b>Series 2013A</b>           |                    |                     |                                   |                  |                  |
|-------------|-------------------------------|--------------------|---------------------|-----------------------------------|------------------|------------------|
|             | <b>Current Interest Bonds</b> |                    |                     | <b>Capital Appreciation Bonds</b> |                  |                  |
|             | <b>Principal</b>              | <b>Interest</b>    | <b>Total</b>        | <b>Principal</b>                  | <b>Interest</b>  | <b>Total</b>     |
| 2017        | \$125,000                     | \$295,365          | \$420,365           |                                   |                  |                  |
| 2018        | 125,000                       | 293,490            | 418,490             |                                   |                  |                  |
| 2019        | 130,000                       | 291,415            | 421,415             |                                   |                  |                  |
| 2020        |                               | 290,278            | 290,278             | \$27,443                          | \$102,557        | \$130,000        |
| 2021        |                               | 290,278            | 290,278             | 21,189                            | 108,811          | 130,000          |
| 2022 - 2026 | 780,000                       | 1,405,554          | 2,185,554           | 16,360                            | 113,640          | 130,000          |
| 2027 - 2031 | 1,350,000                     | 1,207,591          | 2,557,591           |                                   |                  |                  |
| 2032 - 2036 | 1,975,000                     | 865,498            | 2,840,498           |                                   |                  |                  |
| 2037 - 2041 | 2,760,000                     | 336,869            | 3,096,869           |                                   |                  |                  |
| Total       | <u>\$7,245,000</u>            | <u>\$5,276,338</u> | <u>\$12,521,338</u> | <u>\$64,992</u>                   | <u>\$325,008</u> | <u>\$390,000</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

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

| Year        | Series 2013B           |                    |                    |                            |                  |                  |
|-------------|------------------------|--------------------|--------------------|----------------------------|------------------|------------------|
|             | Current Interest Bonds |                    |                    | Capital Appreciation Bonds |                  |                  |
|             | Principal              | Interest           | Total              | Principal                  | Interest         | Total            |
| 2017        | \$120,000              | \$113,362          | \$233,362          |                            |                  |                  |
| 2018        | 125,000                | 111,525            | 236,525            |                            |                  |                  |
| 2019        | 125,000                | 109,494            | 234,494            |                            |                  |                  |
| 2020        | 125,000                | 107,150            | 232,150            |                            |                  |                  |
| 2021        | 75,000                 | 104,775            | 179,775            | \$7,934                    | \$47,066         | \$55,000         |
| 2022 - 2026 | 605,000                | 475,678            | 1,080,678          | 7,059                      | 77,941           | 85,000           |
| 2027 - 2031 | 810,000                | 349,254            | 1,159,254          |                            |                  |                  |
| 2032 - 2036 | 990,000                | 163,476            | 1,153,476          |                            |                  |                  |
| 2037 - 2041 | 225,000                | 5,063              | 230,063            |                            |                  |                  |
| Total       | <u>\$3,200,000</u>     | <u>\$1,539,777</u> | <u>\$4,739,777</u> | <u>\$14,993</u>            | <u>\$125,007</u> | <u>\$140,000</u> |

**C. 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 un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted 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, 2016 are a legal voted debt margin of \$2,356,628 (including available funds of \$236,796) and a legal un-voted debt margin of \$140,498.

**9. 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 2016, 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:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

| <u>Type of Coverage</u>   | <u>Amount</u> |
|---|---------------|
| Building and Business Personal Property including EDP Replacement cost (\$1,000 deductible) | \$33,417,533  |
| 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     |
| 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 2016.

**B. Workers' Compensation**

For fiscal year 2016, 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 CompManagement, 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 11. As such, no funding provisions are required by the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**10. PENSION PLANS**

**A. Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**B. Plan Description - School Employees Retirement System (SERS)**

**Plan Description** - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

|                              | <b>Eligible to<br/>Retire on or before<br/>August 1, 2017 *</b>                 | <b>Eligible to<br/>Retire on or after<br/>August 1, 2017</b>                         |
|------------------------------|---|--|
| Full benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially reduced benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.



**WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**10. PENSION PLANS (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$197,460 for fiscal year 2016.

**C. Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)**

**Plan Description** - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can 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](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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

**10. PENSION PLANS (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$649,266 for fiscal year 2016.

**D. Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

|  | <u>SERS</u> | <u>STRS</u>  | <u>Total</u> |
|--|-------------|--------------|--------------|
| Proportionate share of the net pension liability | \$2,599,030 | \$12,197,980 | \$14,797,010 |
| Proportion of the net pension liability          | 0.045548%   | 0.0441363%   |              |

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

**10. PENSION PLANS (Continued)**

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

|  |  |
|--|--|
| Wage inflation                               | 3.25 percent   |
| Future salary increases, including inflation | 4.00 percent to 22 percent                                   |
| COLA or ad hoc COLA                          | 3 percent  |
| Investment rate of return                    | 7.75 percent net of investments expense, including inflation |
| Actuarial cost method                        | Entry age normal   |

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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(Continued)**

**10. PENSION PLANS (Continued)**

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash                   | 1.00 %                       | 0.00 %  |
| US Stocks              | 22.50                        | 5.00  |
| Non-US Stocks          | 22.50                        | 5.50  |
| Fixed Income           | 19.00                        | 1.50  |
| Private Equity         | 10.00                        | 10.00   |
| Real Assets            | 10.00                        | 5.00  |
| Multi-Asset Strategies | 15.00                        | 7.50  |
| Total                  | <u>100.00 %</u>              |   |

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

|   | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount Rate<br/>(7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$3,603,921                    | \$2,599,030                                  | \$1,752,829                    |

**Changes Between Measurement Date and Report Date** - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**F. Actuarial Assumptions - STRS Ohio**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                   |  |
|-----------------------------------|--|
| Inflation                         | 2.75 percent   |
| Projected salary increases        | 2.75 percent at age 70 to 12.25 percent at age 20  |
| Investment rate of return         | 7.75 percent, net of investment expenses   |
| Cost-of-living adjustments (COLA) | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date. |

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**10. PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long Term Expected<br/>Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 31.00 %                      | 8.00 %  |
| International Equity | 26.00                        | 7.85  |
| Alternatives         | 14.00                        | 8.00  |
| Fixed Income         | 18.00                        | 3.75  |
| Real Estate          | 10.00                        | 6.75  |
| Liquidity Reserves   | 1.00                         | 3.00  |
| Total                | 100.00 %                     |   |

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

|   | <b>1% Decrease<br/>(6.75%)</b> | <b>Current<br/>Discount Rate<br/>(7.75%)</b> | <b>1% Increase<br/>(8.75%)</b> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$16,943,914                   | \$12,197,980                                 | \$8,184,585                    |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**11. POST-EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$24,093, \$34,495, and \$25,389, respectively. 100 percent has been contributed for fiscal year 2016 and 100 percent has been contributed for fiscal years 2015 and 2014.

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

**Plan Description** - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), 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 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's health care contributions for fiscal year 2014 were \$44,767. Contributions were not required for health care for fiscal years 2015 or 2016.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**12. 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:

| <b>Net Change in Fund Balance</b>                    |                     |
|--|---------------------|
|  | <b>General fund</b> |
| Budget basis   | \$1,331,696         |
| Refund of Prior Year's Expenditures Reclassification | 17,762              |
| Net adjustment for other financing sources           | (17,762)            |
| Funds budgeted elsewhere **                          | (188)               |
| Adjustment for encumbrances                          | 77,979              |
| Cash basis   | \$1,409,487         |

\*\*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.

**13. 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.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)**

**14. 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.

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.

|   | <b><u>Capital<br/>Improvements</u></b> |
|---|--|
| Set-aside balance June 30, 2015             |  |
| Current year set-aside requirement          | \$204,621                              |
| Current year qualifying disbursements       | (136,062)                              |
| Current year offsets                        | <u>(237,635)</u>                       |
| Total                                       | <u>(\$169,076)</u>                     |
| Balance carried forward to fiscal year 2017 | <u>\$0</u>                             |
| Set-aside balance June 30, 2016             | <u>\$0</u>                             |

**15. 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:

| <b><u>Fund</u></b>           | <b><u>Year-End<br/>Encumbrances</u></b> |
|------------------------------|---|
| General fund                 | \$85,877                                |
| Classroom facilities fund    | 634,419                                 |
| Non-major governmental funds | <u>55,518</u>                           |
| Total                        | <u>\$775,814</u>                        |





# 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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Liberty-Salem Local School District, Champaign County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 27, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***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 opinion 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.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***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

January 27, 2017

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

**SCHEDULE OF FINDINGS  
JUNE 30, 2016**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2016-001**

**Noncompliance**

**Financial Reporting**

**Ohio Rev. Code § 117.38** provides, in part, that each public office, other than a state agency, 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 Rev. Code Section 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). During fiscal year 2016, the District prepared financial statements that, although formatted similarly to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. 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.

The District should prepare the annual financial statements according to generally accepted accounting principles to provide users with more meaningful financial statements.

**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.

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT  
CHAMPAIGN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016

| Finding Number | Finding Summary  | Status        | Additional Information   |
|----------------|--|---------------|--|
| 2015-001       | <b>Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03(B) –</b><br>Failure to report on GAAP | Not Corrected | Re-issued as Finding 2016-001<br><br>See Officials' Response in Schedule of Findings |



# Dave Yost • Auditor of State

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 2, 2017