



**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164

We have audited the accompanying general-purpose financial statements of the Westfall Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Westfall Local School District, Pickaway County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 20 to the general purpose financial statements, the District adopted General Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

March 13, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund types			Proprietary Fund Type	Internal Service	Fiduciary Fund Type	Account Groups		Totals 1999	
	General	Special Revenue	Debt Service	Capital Project		Enterprise	Agency	General Fixed Assets	General Long Term	(Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 569,124	314,000	23,797	115,032	4,917	28,450	147,690	0	0	\$ 1,203,010
Restricted Assets	119,087	0	0	0	0	37,525	0	0	0	156,612
Taxes Receivable	3,627,056	0	0	0	0	0	0	0	0	3,627,056
Due from Other Funds	0	0	0	0	0	0	132,020	0	0	132,020
Intergovernmental Receivables	0	0	0	0	17,080	0	0	0	0	17,080
Accounts Receivable	680	0	0	0	0	51,338	60	0	0	52,078
Supply Inventory	7,591	0	0	0	0	0	0	0	0	7,591
Inventory for Resale	0	0	0	0	2,417	0	0	0	0	2,417
Prepaid Claims	0	0	0	0	0	201,447	0	0	0	201,447
Property, Plant & Equipment	0	0	0	0	239,968	0	0	7,800,325	0	8,040,293
Accumulated Depreciation, Where Applicable	0	0	0	0	(134,056)	0	0	0	0	(134,056)
Amount Available in Debt Service	0	0	0	0	0	0	0	0	23,797	23,797
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	737,883	737,883
Total Assets and Other Debits	\$ 4,323,538	314,000	23,797	115,032	130,326	318,760	279,770	7,800,325	761,680	\$ 14,067,228

(Continued)

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS, CONTINUED
JUNE 30, 1999

	Governmental Fund Types				Proprietary	Fiduciary			Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Type	Internal Service	Agency	General Fixed Assets	General Long Term	(Memorandum)	
					Enterprise						(Only)
Liabilities:											
Due to Other Funds	\$ 122,892	3,828	0	0	5,300	0	0	0	0	\$ 132,020	
Intergovernmental Payables	3,643	301	0	0	231	0	243,578	0	76,018	323,771	
Accounts Payable	23,629	6,078	0	1,100	0	66,582	3,983	0	0	101,372	
Accrued Salaries and Benefits	696,121	29,153	0	0	23,928	0	0	0	0	749,202	
Deferred Revenue	3,374,745	0	0	0	472	0	0	0	0	3,375,217	
Claims Payable	0	0	0	0	0	140,796	0	0	0	140,796	
Due to Student Activities	0	0	0	0	0	0	32,209	0	0	32,209	
Compensated Absences Payable	6,996	0	0	0	6,601	0	0	0	685,662	699,259	
Total Liabilities	4,228,026	39,360	0	1,100	36,532	207,378	279,770	0	761,680	5,553,846	
Fund Equity and Other Credits:											
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,800,325	0	7,800,325	
Retained Earnings	0	0	0	0	93,794	111,382	0	0	0	205,176	
Fund Balances:											
Reserved for HB412	119,087	0	0	0	0	0	0	0	0	119,087	
Reserved for Supply Inventory	7,591	0	0	0	0	0	0	0	0	7,591	
Reserved for Encumbrances	95,169	21,835	0	26,822	0	0	0	0	0	143,826	
Reserved for Future Appropriations	252,311	0	0	0	0	0	0	0	0	252,311	
Unreserved Fund balance	(378,646)	252,805	23,797	87,110	0	0	0	0	0	(14,934)	
Total Fund Balances	95,512	274,640	23,797	113,932	0	0	0	0	0	507,881	
Total Fund Balances/Retained Earnings and Other Credits	95,512	274,640	23,797	113,932	93,794	111,382	0	7,800,325	0	8,513,382	
Total Liabilities, Fund Equity, and Other Credits	\$ 4,323,538	314,000	23,797	115,032	130,326	318,760	279,770	7,800,325	761,680	\$ 14,067,228	

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,060,660	0	0	0	\$ 3,060,660
Tuition	45,719	0	0	0	45,719
Earnings on Investments	83,811	838	0	0	84,649
Extracurricular Activities	11,341	176,629	0	0	187,970
Classroom Materials & Fees	30,278	0	0	0	30,278
Miscellaneous	66,080	15,684	0	0	81,764
Revenue from Intermediate sources					
Revenue in Lieu of Taxes	521	0	0	0	521
Revenue from State Sources					
Unrestricted Grants-in-Aid	4,636,039	81,984	0	0	4,718,023
Restricted Grants-in-Aid	72,799	85,120	0	46,277	204,196
Revenue for/on Behalf of District	8,561	0	0	0	8,561
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	1,920	0	0	0	1,920
Restricted Grants-in-Aid	0	283,080	0	0	283,080
Total Revenue	<u>8,017,729</u>	<u>643,335</u>	<u>0</u>	<u>46,277</u>	<u>8,707,341</u>
EXPENDITURES:					
Instruction:					
Regular	4,358,401	85,836	0	109,542	4,553,779
Special Instruction	577,766	185,206	0	0	762,972
Vocational	14,909	0	0	0	14,909
Supporting Services:					
Pupils	211,928	6,342	0	0	218,270
Instructional Staff	384,593	60,697	0	0	445,290
Board of Education	47,943	0	0	0	47,943
Administration	958,075	0	0	0	958,075
Fiscal Services	209,859	0	0	0	209,859
Business	47,610	0	0	0	47,610
Operation & Maintenance-Plant	797,444	0	0	0	797,444
Pupil Transportation	693,779	2,450	0	0	696,229
Central	30,863	13,421	0	0	44,284
Extracurricular Activities					
Academic & Subject Oriented	13,053	54,799	0	0	67,852
Occupation Oriented	0	2,507	0	0	2,507
Sports Oriented	98,297	91,487	0	0	189,784
Co-Curricular Activities	11,947	0	0	0	11,947
Capital Outlay:					
Architecture & Engineering	0	0	0	53,442	53,442
Building Improvement	0	0	0	613,097	613,097
Debt Service:					
Repayment of Debt	0	0	0	0	0
Total Expenditures	<u>8,456,467</u>	<u>502,745</u>	<u>0</u>	<u>776,081</u>	<u>9,735,293</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(438,738)	140,590	0	(729,804)	(1,027,952)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	5,108	0	0	0	5,108
Transfers-In	0	30,540	0	697,716	728,256
Other Sources	48,354	9,804	0	0	58,158
Other Financing Uses					
Transfer-Out	(519,991)	(24,894)	0	(197,094)	(741,979)
Other Expenditures	0	(1,746)	0	0	(1,746)
Net Other Financing Sources and Uses	<u>(466,529)</u>	<u>13,704</u>	<u>0</u>	<u>500,622</u>	<u>47,797</u>
Excess (Deficiency) of Revenues and Other Sources					
Over Expenditures and Other Uses	(905,267)	154,294	0	(229,182)	(980,155)
Increase Supply Inventory	6,222	0	0	0	6,222
Beginning Fund Balance	994,557	120,346	23,797	343,114	1,481,814
Ending Fund Balance	<u>\$ 95,512</u>	<u>274,640</u>	<u>23,797</u>	<u>113,932</u>	<u>\$ 507,881</u>

See Accompanying Notes to the General Purpose Financial Statements

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,800,889	3,513,428	(287,461)	0	0	\$ 0
Tuition	0	45,719	45,719	0	0	0
Earnings on Investment	80,000	83,831	3,831	900	838	(62)
Extracurricular Activities	8,400	11,341	2,941	168,321	178,260	9,939
Classroom Materials & Fees	24,900	30,278	5,378	0	0	0
Miscellaneous	25,000	65,545	40,545	12,717	15,684	2,967
Revenue in Lieu of Taxes	3,000	521	(2,479)	0	0	0
State Unrestricted Grants-in-Aid	4,247,502	4,636,039	388,537	51,984	81,984	30,000
State Restricted Grants-in-Aid	65,000	72,799	7,799	58,346	85,120	26,774
Revenue for/on Behalf of District	12,000	8,561	(3,439)	0	0	0
Federal Unrestricted Grants-in-Aid	0	2,638	2,638	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	368,955	383,955	15,000
Total Revenue	8,266,691	8,470,700	204,009	661,223	745,841	84,618
Expenditures:						
Regular Instruction	4,356,869	4,331,676	25,193	151,350	90,001	61,349
Special Instruction	591,613	578,256	13,357	260,244	184,023	76,221
Vocational Instruction	15,307	14,909	398	0	0	0
Support Services-Pupils	249,380	222,499	26,881	8,164	6,342	1,822
Support Services-Instructional Staff	385,865	379,880	5,985	83,975	73,883	10,092
Support Services-Board of Education	51,742	51,712	30	0	0	0
Support Services-Administration	1,012,056	968,365	43,691	8,525	0	8,525
Fiscal Services	216,002	213,943	2,059	0	0	0
Support Services-Business	70,851	70,508	343	0	0	0
Operation & Maintenance-Plant	907,749	890,539	17,210	105	0	105
Support Services-Transportation	821,847	716,299	105,548	3,011	2,450	561
Support Services-Central	31,757	30,863	894	21,344	18,368	2,976
Academic & Subject Oriented	13,610	12,998	612	64,018	55,611	8,407
Occupation Oriented Activities	0	0	0	2,628	2,507	121
Sports Oriented	98,297	98,297	0	100,979	96,388	4,591
Co-Curricular Activities	12,456	11,947	509	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Total Expenditures	8,835,401	8,592,691	242,710	704,343	529,573	174,770
Excess of Revenue Over (Under) Expenditures	(568,710)	(121,991)	446,719	(43,120)	216,268	259,388
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	5,108	5,108	0	0	0
Transfer-In	0	0	0	28,540	30,540	2,000
Advances-In	115,876	115,876	0	15,000	0	(15,000)
Refund of Prior Year Expenditures	6,000	48,656	42,656	8,525	9,804	1,279
Transfer-Out	(525,252)	(519,991)	5,261	(24,894)	(24,894)	0
Advances-Out	0	0	0	(115,876)	(115,876)	0
Refund of Prior Year Receipts	0	0	0	(1,746)	(1,746)	0
Other Uses	0	0	0	(2,000)	0	2,000
Total Other Sources (Uses)	(403,376)	(350,351)	53,025	(92,451)	(102,172)	(9,721)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(972,086)	(472,342)	499,744	(135,571)	114,096	249,667
Beginning Fund (Deficit) Balance	1,109,414	1,109,414	--	154,419	154,419	--
Prior Year Carry Over Encumbrances	(65,663)	(65,663)	--	23,002	23,002	--
Ending Fund (Deficit) Balance	\$ 71,665	\$ 571,409	\$ 499,744	\$ 41,850	\$ 291,517	\$ 249,667

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES - CONTINUED
YEAR ENDED JUNE 30, 1999**

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	46,277	46,277	0
Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	46,277	46,277	0
Expenditures:						
Regular Instruction	0	0	0	165,519	117,807	47,712
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	53,442	53,442	0
Architecture & Engineering	0	0	0	681,818	642,419	39,399
Building Improvement	0	0	0	0	0	0
Total Expenditures	0	0	0	900,779	813,668	87,111
Excess of Revenue Over (Under) Expenditures	0	0	0	(854,502)	(767,391)	87,111
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	697,716	697,716	0
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	(197,094)	(197,094)	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	500,622	500,622	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(333,880)	(266,769)	87,111
Beginning Fund (Deficit) Balance	23,797	23,797	0	331,881	331,881	0
Prior Year Carry Over Encumbrances	0	0	0	21,999	21,999	0
Ending Fund (Deficit) Balance	\$ 23,797	23,797	0	0	87,111	\$ 87,111

See Accompanying Notes to the General Purpose Financial Statements

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1999**

	Enterprise Fund	Internal Service Fund	Totals (Memorandum) (Only)
Operating Revenues:			
Food Service	\$ 272,769	0	\$ 272,769
Premiums	<u>0</u>	<u>697,591</u>	<u>697,591</u>
Total Operating Revenue	272,769	697,591	970,360
Operating Expenses:			
Personal Services - Salary	138,949	0	138,949
Employee Benefits	72,734	0	72,734
Purchased Services	1,438	0	1,438
Supplies and Materials	210,494	0	210,494
Capital Outlay	600	0	600
Capital Outlay - Replacement	4,560	0	4,560
Other Expenses	0	588,506	588,506
Depreciation	<u>940</u>	<u>0</u>	<u>940</u>
Total Operating Expenses	<u>429,715</u>	<u>588,506</u>	<u>1,018,221</u>
Operating Loss	(156,946)	109,085	(47,861)
Non-Operating Revenues:			
Earnings on Investment	0	2,072	2,072
State Restricted Grants-In-Aid	8,421	0	8,421
Federal Unrestricted Grants-In-Aid	118,547	0	118,547
Federal Restricted Grants-In-Aid	<u>43,886</u>	<u>0</u>	<u>43,886</u>
Total Non-Operating Revenue	170,854	2,072	172,926
Net Income	13,908	111,157	125,065
Beginning Retained Earnings	<u>79,886</u>	<u>225</u>	<u>80,111</u>
Retained Earnings at End of Year	<u>\$ 93,794</u>	<u>111,382</u>	<u>\$ 205,176</u>

See Accompanying Notes to the General Purpose Financial Statements

**STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1999**

	Enterprise Fund	Internal Service Fund	Totals (Memorandum) (Only)
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ (156,946)	109,085	\$ (47,861)
Adjustment to Reconcile Operating Loss			
To Net Cash used in Operating Activities:			
Depreciation	940	0	940
Net (Increases) Decreases in Assets:			
Due from Other Governments	(501)	(201,447)	(201,948)
Accounts Receivable	0	(2,031)	(2,031)
Inventory	5,336	0	5,336
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	(5)	0	(5)
Intergovernmental Receivables	10	0	10
Accounts Payable	(12,016)	3,984	(8,032)
Accrued Wages & Benefits	937	0	937
Deferred Revenue	(5,488)	0	(5,488)
Compensated Absences	(2,058)	0	(2,058)
Claims Payable	<u>0</u>	<u>70,286</u>	<u>70,286</u>
Net Adjustments	(12,845)	(129,208)	(142,053)
Net Cash Used in Operating Activities	(169,791)	(20,123)	(189,914)
Cash Flows from Noncapital Financing Activities:			
Operating Grants from State Sources	8,421	0	8,421
Operating Grants from Federal Sources	118,547	0	118,547
Federal Commodities	<u>43,886</u>	<u>0</u>	<u>43,886</u>
Net Cash Provided by Noncapital Financing Sources	170,854	0	170,854
Cash Flows from Investing Activities:			
Miscellaneous Income	<u>0</u>	<u>2,072</u>	<u>2,072</u>
Net Increase in Cash & Cash Equivalents	1,063	(18,051)	(16,988)
Cash and Cash Equivalents at Beginning of Year	<u>3,854</u>	<u>84,026</u>	<u>87,880</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,917</u>	<u>\$ 65,975</u>	<u>\$ 70,892</u>

See Accompanying Notes to General Purpose Financial Statements

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Westfall Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Westfall Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Westfall Local School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the district.

Average daily membership (ADM) as of October 1, 1998, was 1,826. The District employed 108 certified employees and 60 non-certificated employees.

Westfall Local School District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable.

This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of Westfall Local School District over which Westfall Local School District is financially accountable.

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund

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

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Funds

These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Expendable Trust Funds

These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District did not have any nonexpendable trust funds at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (continued)

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The following are the District's account groups:

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Obligations Account Group

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The District has elected, under GASB No. 20, to apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

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

The modified accrual basis of accounting is followed for all Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and available means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements, and accounts (student fees and rent).

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for rate determination.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process (continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Cash Equivalents

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments." During the fiscal year all investments were limited to STAR Ohio, certificate of deposits, and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$83,811.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Permanent Improvements Funds, Internal Service Funds, and Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$83,811 for the General Fund, \$838 for the Special Revenue Fund, and \$2,072 for the Internal Service Funds.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets, eight to twenty years.

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- School Bus Funding Program

Special Revenue Funds

- Education Management Information Systems

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Intergovernmental Revenues (continued)

Non-Reimbursable Grants

Special Revenue Funds

- Local Professional Development
- Eisenhower Grant
- Title VI-B
- School Net Plus
- Educationally Deprived Children-Local Educational Agencies-Title I
- Drug Free Schools
- Disadvantaged Pupils Program
- Pre School Grant
- School to Work
- Venture Capital Grant
- Goals 2000 Grant
- Federal, State, and Local Partnerships for Educational Improvement -Title VI of ESEA

Reimbursable Grants

General Fund

- Driver Education Reimbursement
- School Bus Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities
- National School Breakfast Program

Grants and entitlements amounted to approximately 53.2% of the District's operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. At June 30, 1999, the District had \$132,020 in due from/to other funds. The District had no long-term interfund loans at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

Vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation time when earned. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

In proprietary funds, compensated absences are expenses when earned. The entire amount of compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 1999, the District had no contributed capital.

M. Accrued Liabilities and Long-Term Obligations

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include monies on hand with the fiscal agent of the Ross County Insurance Consortium, and amounts required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

P. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and inventory. The District additionally has reserves for Budget Stabilization to offset any emergency or unknown expenditures.

Q. Estimates

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

R. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board issued statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of GASB No. 9, "cash and cash equivalents" refers to cash only. The District has presented a statement of cash flows for its enterprise funds.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Total Columns on General Purpose Financial Statements

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

2. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General Fund	Special Revenue	Capital Project
GAAP Basis	\$ (905,267)	154,299	\$ (229,182)
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	405,550	102,501	0
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(136,224)	(26,828)	(37,587)
Due to Other Sources/Uses	163,599	(115,876)	0
Budget Basis	\$ (472,342)	114,096	\$ (266,769)

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. LEGAL COMPLIANCE - BUDGETS

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The auditor's recommendations and citations are included in a separate report.

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 withdraw able 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book 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;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. DEPOSITS AND INVESTMENTS (continued)

- 8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 9. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$281,856 and the bank balance was \$353,172. The bank balance insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$120,000, with the balance, \$233,172, being collateralized by the financial institutions public entity deposit pool.

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

	Category			Carrying Value	Fair Value
	1	2	3		
STAR Ohio				\$ 1,037,295	\$ 1,037,295
Total Investments				<u>\$ 1,037,295</u>	<u>\$ 1,037,295</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. DEPOSITS AND INVESTMENTS (continued)

Cash and Cash Equivalents with Fiscal Agents: Cash and Cash Equivalents with Fiscal Agents of \$37,525 in the internal service fund type represent monies held by the Ross County School Employees Insurance Consortium (the Consortium) as of June 30, 1999. The Consortium prepares an annual financial report following a basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. The report may be obtained by writing to the Ross County School Employees Insurance Consortium, 19463 Pherson Pike, Williamsport, Ohio 43164.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in *GASB Statement No. 9, entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."* A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No.3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,359,622	\$ 0
Investments:		
STAR Ohio	(1,037,295)	1,037,295
Total	322,327	1,037,295
Cash with Fiscal Agent	(37,525)	
Cash on Hand	(2,946)	0
GASB Statement No.3	\$ 281,856	\$ 1,037,295

5. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility, and tangible personal property located in the Westfall Local School District. Property tax revenue received during calendar year 1999 for real and public utility property taxes represents collections of calendar year 1998 taxes. Property tax payments received during calendar year 1999 for tangible personal property (other than public utility property) is for calendar year 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 1999 real property taxes are collected in and intended to finance fiscal year 2000.

All property is required to be revalued every six years. The last revaluation was completed in 1993. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. PROPERTY TAX (continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are payable annually or semi-annually with the first payment due April 30 and the remainder payable by October.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Pickaway County Treasurer collects property tax on behalf of the District. The Pickaway County Auditor remits to the Westfall Local School District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and December for personal property taxes.

The full tax rate at the fiscal year ending June 30, 1999, for operations was \$35.20 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 1999 taxes were collected were as follows:

Real Property	\$ 90,406,140
Public Utility Personal Property	31,205,070
Tangible Personal Property	<u>3,618,101</u>
Total Assessed Value	<u><u>\$ 125,229,311</u></u>

6. RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

The principal item of intergovernmental receivables was \$17,080 in the Lunch Room Enterprise Fund.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 9.79 percent was the portion to fund pension obligations. For fiscal year 1998, 9.79 percent was used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$185,760, \$192,264, \$146,100, respectively; 64 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$104,880 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$595,416, \$613,848 and \$546,924, respectively; 85 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$99,236 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

8. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$148,854 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$66,077.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from board policy, board minutes, negotiated agreements and State laws. Only the superintendent, high school principal, and twelve-month classified employees earn ten to twenty days of vacation per year, depending upon length of service. School support personnel accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	10 Days
10 or more Years	15 Days
20 or more Years	20 Days

The following table represents the limit placed on employee vacation time:

Vacation Leave Entitlement	Limit of Accrued Vacation
10 Days	30 Days
15 Days	45 Days
20 Days	60 Days

Vacation Pay: Upon separation from employment a full-time employee shall be entitled to compensation at his/her current rate of pay for all lawfully accrued and unused vacation leave to his/her credit at the time of separation.

Per contract and board policy the Superintendent and Treasurer earn 20 and 15 days of vacation per year, respectively, and have an accrual limit of 60 and 45 days.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days.

Service Retirement: Upon retirement, employees shall receive in one lump sum, a severance payment. This severance payment is based upon the following schedule utilizing the employees accumulated sick leave, up to a maximum of one hundred eighty (180) days:

Experience in District	Multiplier
0 - 5 Years	0.1
6 - 9 Years	0.2
10 or More Years	0.28

(Multiplier X Accumulated Sick Leave) X Individual Per Diem = Severance Pay.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. INTERFUND TRANSACTIONS

At June 30, 1999, the District had short-term interfund receivables and payables resulting from goods provided or services rendered which are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Due From/to Other Funds:

	Receivables	Payables
General Fund	\$ 0	\$ 122,892
Special Revenue Funds	0	3,828
Enterprise Funds	0	5,300
Agency Funds	132,020	0
Total	<u>\$ 132,020</u>	<u>\$ 132,020</u>

11. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

12. LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance			Balance
	July 1, 1998	Additions	Deletions	June 30, 1999
Intergovernmental Payables	\$ 78,495	0	2,477	\$ 76,018
Compensated Absences Payable	751,831	0	66,169	685,662
Total General Long-Term Debt	<u>\$ 830,326</u>	<u>0</u>	<u>68,646</u>	<u>\$ 761,680</u>

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

Compensated absences and the pension obligation will be paid from the funds from which the employees's salaries are paid.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

13. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	\$ 239,968
Less Accumulated Depreciation	<u>(134,056)</u>
Net Fixed Assets	<u><u>\$ 105,912</u></u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

A summary of changes in the General Fixed Assets Account Group during the fiscal year 1999 follows:

Asset Category	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$ 125,500	0	0	\$ 125,500
Buildings	3,244,821	0	0	3,244,821
Improvements Other than Buildings	52,643	0	0	52,643
Furniture and Equipment	2,914,639	177,805	5,143	3,087,301
Vehicles	1,317,866	123,914	151,720	1,290,060
Total General Fixed Assets	<u><u>\$ 7,655,469</u></u>	<u><u>301,719</u></u>	<u><u>156,863</u></u>	<u><u>\$ 7,800,325</u></u>

Deletions to the Vehicles Asset Category of \$151,720 are an adjustment to the fixed assets for four buses that were disposed of in a prior period, but were not deleted from the fixed asset listing.

No significant construction was in progress at June 30, 1999.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. RISK MANAGEMENT

A. General Risk

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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, The District maintains a \$2,000,000 umbrella liability policy, a \$50,000 worker's compensation defense cost liability policy, and a \$500,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$21,037,400. Other property insurance includes \$186,088 for musical instrument, related equipment and accessories, \$1,358 for camera, film and related equipment and accessories, \$52,265 for scheduled property, and \$366,551 for data processing equipment and related media.

The District participates in the Workers' Compensation Program provided by the State of Ohio. The District participates in a Workers' Compensation pool through the Ohio School Board Association for rating program. A savings of \$12,980 was realized on the annual premium cost in 1999.

B. Health Self Insurance

In July, 1994, the District joined the Ross County School Employees Insurance Consortium (RCSEIC) to self insure its medical claims. RCSEIC currently includes 14 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent.

Professional Risk Management, Inc., a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$65,000 and aggregate claims in excess of \$280.50 per month, per employee consortium wide.

The District established a self insurance fund for the purpose of tracking the fund's balance at the fiscal agent. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. RISK MANAGEMENT (continued)

Changes in self-insurance claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	36,559	672,730	638,779	70,510
1999	70,510	588,506	518,220	140,796

Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the self-insurance fund and as an expenditure in the disbursing fund. The following is a summary of payments made to the self-insurance fund by fund type:

General Fund	\$ 508,020
Enterprise Funds	<u>44,595</u>
Total Contributed by Funds	552,615
Employee Contributions	45,083
Stop-Loss Insurance Coverage	0
Interest & Fiscal Agent Income	<u>4,216</u>
Total Contributions	<u><u>\$ 601,914</u></u>

15. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council - The School District is a participant in the Metropolitan Educational Council (MEC), which is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent.

Westfall Local School District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provided computer services to the District, during 1999, the District paid \$31,199.53 to MEC.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

16. SEGMENTS OF ENTERPRISE ACTIVITY

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund
Operating Revenues	\$ 272,769
Operating Expenses:	
Depreciation	940
Other Expenses	428,775
Total Operating Expenses	429,715
Operating Income (loss)	(156,946)
Non Operating Revenues and Expenses:	
Operating Grants	170,854
Other Net	0
Net Income (loss)	\$ 13,908
Net Working Capital	\$ (12,118)
Total Assets	\$ 130,326
Total Fund Equity in Pooled Cash and Investments and Cash with Fiscal Agent	\$ 4,917

17. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,636,039 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 1999, the District had received a total of \$411,468 this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The decision made by the Court of Common Pleas is likely to be appealed.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future state funding under this Program.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund and amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in year-end set-aside amounts for textbooks and instructional materials, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/1998	\$ 0	\$ 0	\$ 47,421	\$ 47,421
Required Set Aside	143,333	143,333	71,666	358,332
Offset Credits	0	0	0	0
Qualifying Expenditures	(324,609)	(264,757)		(589,366)
Balance, 6/30/1999	<u>\$ (181,276)</u>	<u>\$ (121,424)</u>	<u>\$ 119,087</u>	<u>\$ (183,613)</u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

Amounts remaining at year end that have been set-aside to satisfy statutory requirements must be represented by cash and should be presented as restricted assets on the balance sheet. Corresponding amounts should be reported as reserves of fund balance.

19. FUND DEFICITS

The following funds had deficit balances at June 30, 1999:

Title VI-b	\$ (12,010)
Title I	\$ (22,550)

The deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate the deficit. The deficits results from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

20. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD RESTATEMENT

GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" provides accounting for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

For 1999 the prior year ending balance for the Self-Insurance Internal Service Fund was found to be misstated. This adjustment resulted in the following restatement of beginning Fund Equity balances:

	<u>Amount at 6/30/98</u>	<u>Restated Amount</u>
Internal Service Fund	(\$ 4,688)	\$ 225

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Federal CFDA Number	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster:</i>						
Food Distribution (See Note "B")	10.550		\$-	\$ 38,393	\$-	\$41,886
National School Breakfast Program	10.553	05-PU 98/99	14,952	-	12,999	-
National School Lunch Program	10.555	04-PU 98/99 03-PU 98/99	103,766	-	105,174	-
Total U.S Department of Agriculture			118,718	38,393	118,173	41,886
<u>U.S. Department of Labor</u>						
<i>Passed through Ohio Department of Education</i>						
School to Work Grant	17.249	WK-BE 98	15,000	-	-	-
<u>U.S. Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Title I	84.010	C1-S1 98/99	249,216	-	148,340	-
Eisenhower Professional	84.281	MS-S1	11,018	-	6,770	-
Drug Free Federal Subsidy	84.186	DR-S1 99	2,698	-	6,342	-
Title VI	84.298	C2-S1 97	0	-	2,879	-
Goals 2000	84.276	G2-S3 96	0	-	-	-
Comprehensive School Reform	84.332	RF-S1 99	75,000	-	1,205	-
<i>Special Education Cluster:</i>						
Title VI B	84.027	6B-SF 98 P	22,786	-	47,103	-
Handicapped Pre-School	84.173	PG-S1 96/98	6,537	-	5,788	-
<i>Total Special Education Cluster:</i>			29,323	-	52,891	-
Total U.S. Department of Education			367,255	-	218,427	-
Total Federal Assistance			\$ 500,973	\$ 38,393	\$336,600	\$ 41,886

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this statement.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education
Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164

We have audited the general purpose financial statements of Westfall Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 13, 2000, where in we noted the District changed its accounting for deferred compensation plan. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10665-001. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 13, 2000.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164

Compliance

We have audited the compliance of Westfall Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of Westfall Local School District in a separate letter dated March 13, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of Westfall Local School District in a separate letter dated March 13, 2000.

This report is intended for the information of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 13, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Title I, CFDA # 84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

FINDING NUMBER 1999-10665-001

Monitoring Self-Insurance Activity

The District is a member of the Ross County School Employees Insurance Consortium (RCSEIC) for health self-insurance purposes. The District pays premiums monthly to the RCSEIC who then pays the third party administrator (TPA) for District claims. The District receives summary reports and a listing of claims payments from the TPA that are utilized to post activity to the District's financial statements. The District receives no reports from the consortium. Appropriate monitoring controls were not in place at the District over the claims payment activity and the summary reports received from the TPA.

Lack of proper monitoring controls allowed erroneous summary reports, presented by the TPA, to be posted to the District's financial statements. (Material) adjustments have been posted to the accompanying financial statements to correct these errors.

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**JUNE 30, 1999
(Continued)**

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

FINDING NUMBER 1999-10665-001 (continued)

Monitoring Self-Insurance Activity (continued)

The District should obtain from the RCSEIC a summary report and reconciliation of the District's activity with the RCSEIC. The District should monitor these reports and compare them with the TPA summary reports to insure accuracy prior to posting activity to the financial statements. The District should also review listings of claims the TPA has approved to help assure the beneficiary is eligible for the benefits (i.e., is a District employee or family member).

3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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WESTFALL LOCAL SCHOOL DISTRICT

PICKAWAY 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
APRIL 4, 2000**