

Westfall Local School District

Pickaway County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Westfall Local School District, Pickaway County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Westfall Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 11, 2011

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Westfall Local School District
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Independent Auditor's Report

Members of the Board
Westfall Local School District
19463 Pherson Pike
Williamsport, OH 43164

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

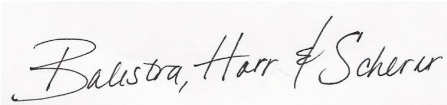
In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Members of the Board
Westfall Local School District
Independent Auditor's Report
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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 20 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.

March 11, 2011

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of the Westfall Local School District's (School District) financial performance provides an overview and analysis of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements themselves to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of Westfall Local School District exceeded its liabilities at June 30, 2010 by \$8,699,822. This balance was comprised of a \$5,600,701 balance invested in capital assets net of related debt, a \$3,113,334 balance in net assets restricted for specific purposes and a negative balance of \$14,213 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$314,040, which represents a 3.7 percent increase from 2009.
- General revenues accounted for \$12,730,486 or 80.2 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,142,692 or 19.8 percent of total revenues of \$15,873,178.
- The School District had \$15,559,138 in expenses related to governmental activities; \$3,142,692 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$12,730,486 were adequate to provide for the remainder of these programs.
- The School District recognizes three major governmental funds: the General, Bond Retirement, and Permanent Improvement Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the School District combined. The General Fund had \$12,426,803 in revenues and \$11,711,007 in expenditures and other financing uses in fiscal year 2010.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand the Westfall Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

Reporting the School District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to private-sector business. The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the School District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the School District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the School District's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the School District's activities are shown as governmental activities. All of the School District's programs and services are reported here, including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's three major governmental funds are the General, Bond Retirement, and Permanent Improvement Funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into one of three categories: governmental, proprietary and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds. The School District's only proprietary fund is an internal service fund. Since the internal service fund operates on a break-even, cost-reimbursement basis, the School District reports it as a proprietary fund using the accrual basis of accounting. The internal service fund is included in the governmental activities in the government-wide statements.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Fiduciary Funds. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Recall that the Statement of Net Assets provides the perspective of the School District as a whole, showing assets liabilities, and the difference between them (net assets). Table 1 provides a summary of the School District's net assets for 2010 compared to fiscal year 2009.

Table 1
Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$10,023,974	\$8,559,194
Capital Assets, Net	11,012,242	11,571,619
Total Assets	21,036,216	20,130,813
Liabilities		
Long-Term Liabilities	6,698,308	7,006,341
Current and Other Liabilities	5,638,086	4,738,690
Total Liabilities	12,336,394	11,745,031
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,600,701	5,928,644
Restricted	3,113,334	3,009,625
Unrestricted (Deficit)	(14,213)	(552,487)
Total Net Assets	\$8,699,822	\$8,385,782

Current and other assets increased from fiscal year 2009 due primarily to an increase in cash on hand at fiscal year end and taxes receivable, which were partially offset by a decrease in accounts receivable. Accounts receivable decreased due primarily to the recognition of a receivable for the share of the Ross County School Employees Consortium's fund balance due to the School District as a result of the School District's withdrawal from the Consortium. Capital assets decreased mainly due to depreciation.

Long-term liabilities decreased as the result of scheduled payments made on debt outstanding which were partially offset by current year accretion. Current and other liabilities increased as a result of increases in deferred revenue, which relates to the increased taxes receivable and a decrease in the amount available as an advance.

The School District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. The School District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities. A portion of the School District's net assets is restricted. The restricted net assets are subject to external restrictions on how they may be used.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2010 compared to fiscal year 2009.

Table 2
Changes in Net Assets

	Governmental Activities	
	2010	2009
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,309,772	\$1,156,839
Operating Grants and Contributions	1,832,920	1,674,001
Total Program Revenues	<u>3,142,692</u>	<u>2,830,840</u>
General Revenues		
Property Taxes	3,989,743	5,508,971
Grants and Entitlements Not Restricted	7,943,210	8,314,279
Payments in Lieu of Taxes	505,815	505,815
Investment Earnings	38,943	51,333
Gifts and Donations	0	6,221
Miscellaneous	252,775	281,180
Total General Revenues	<u>12,730,486</u>	<u>14,667,799</u>
Total Revenues	<u>15,873,178</u>	<u>17,498,639</u>
Program Expenses		
Instruction:		
Regular	6,837,568	7,276,745
Special	1,846,971	1,717,592
Vocational	55,394	32,518
Other	16,024	0
Support Services:		
Pupils	481,857	365,553
Instructional Staff	598,760	1,057,678
Board of Education	201,473	221,474
Administration	1,450,086	1,524,365
Fiscal	500,970	392,146
Business	103,018	63,965
Operation and Maintenance of Plant	1,188,895	966,138
Pupil Transportation	1,048,136	1,017,480
Central	35,450	64,991
Operation of Non-Instructional Services	459,683	582,492
Extracurricular Activities	393,492	529,702
Interest and Fiscal Charges	341,361	350,191
Total Expenses	<u>15,559,138</u>	<u>16,163,030</u>
Increase in Net Assets	314,040	1,335,609
Net Assets, Beginning of Year	8,385,782	7,050,173
Net Assets, End of Year	<u>\$ 8,699,822</u>	<u>\$ 8,385,782</u>

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The most significant program expenses for the School District are Regular Instruction, Administration, Special Instruction, Operation of Maintenance and Plant, and Pupil Transportation. Regular Instruction, which accounts for 43.94 percent of the total, represents costs associated with providing general educational services. Administration, which represents 9.32 percent of the total, represents costs associated with the overall administrative responsibility for each building and the School District as a whole. Special Instruction, which represents 11.87 percent of the total cost, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant which represents 7.64 percent of total cost, represents costs associated with operating and maintenance of school facilities. Pupil Transportation represents 6.74 percent of the total cost, which represents costs associated with transporting students to and from school as well as activities. The decrease to Regular Instruction is due to a decrease in benefit costs and payables owed by the School District for payroll related items as a result of decreases in staff. The decrease to instructional staff is a result of decreased salaries paid as a result of changes in grant funding.

The majority of the funding for the most significant programs indicated above is from property taxes and grants and entitlements not restricted for specific programs. Property taxes and grants and entitlements not restricted for specific programs accounts for 75.18 percent of total revenues. Property taxes decreased due to a decrease in the amount available as advance as a result of the timing of tax revenues received by the School District.

GOVERNMENTAL ACTIVITIES

Over the past several fiscal years, the School District has experienced a declining financial condition. The School District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 25.14 percent and intergovernmental revenue made up 50.04 percent of the total revenue for the governmental activities in fiscal year 2010.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the School District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the School District would still receive \$35.00 annually. Therefore, the School District must regularly return to the voters to maintain a constant level of service.

The School District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. Property Tax growth has been negatively impacted by H.B. 66 which eliminates the Tangible Personal Property Tax. While, the School District will be fully reimbursed by the state through FY2010, the reimbursement will be phased out beginning in FY2011. During fiscal year 2010, the School District received \$7,349,923 through the State's foundation program, which represents 46.30 percent of the total revenue for the governmental activities. The School District relies heavily on this state funding to operate at the current levels of service.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2010		2009	
<i>Program Expenses:</i>				
Instruction	\$ 8,755,957	\$ 7,433,824	\$ 9,026,855	\$ 7,744,445
Support Services	5,608,645	4,879,703	5,673,790	5,334,946
Operation of Non-Instructional Services	459,683	(225,617)	582,492	(136,793)
Extracurricular Activities	393,492	(11,474)	529,702	40,348
Interest and Fiscal Charges	341,361	340,010	350,191	349,244
Total	<u>\$ 15,559,138</u>	<u>\$ 12,416,446</u>	<u>\$ 16,163,030</u>	<u>\$ 13,332,190</u>

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$15,939,750 and expenditures and other financing uses of \$15,202,246. Total governmental funds fund balance increased by \$737,504.

The increase in fund balance for the year was most significant in the General Fund. This increase of \$715,796 is a result of total revenues of \$12,426,803 and expenditures and other financing uses of \$11,711,007.

The Bond Retirement Fund had revenues of \$520,978 and expenditures of \$528,419 resulting in a decrease in fund balance of \$7,441. The Permanent Improvement Fund had revenues of \$506,931 and expenditures of \$575,716 and a decrease in fund balance of \$68,785.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its General Fund budget several times. The School District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The School District prepares and monitors a detailed cashflow plan for the General Fund. Actual cashflow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

For the General Fund, final budgeted basis revenue was \$13,131,629, which was higher than original budgeted revenue in the amount of \$12,196,500. The \$935,129 increase in budgeted revenues is due to increases in tax revenue and tuition and fees. For the General Fund, the final budget basis expenditures were \$12,143,006 representing a \$546,894 decrease from the original budget estimate of \$12,689,900. This is due mainly to a decrease in budgeting for regular instruction. Actual revenues and other financing sources and expenditures and other financing uses were reasonably consistent with final budgeted figures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the School District had \$11,012,242 invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$10,906,638. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2010	2009
<i>Nondepreciable Capital Assets:</i>		
Land	\$105,604	\$105,604
Construction in progress	0	128,593
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,411,301	1,377,935
Buildings and Improvements	9,039,087	9,415,771
Furniture, Fixtures and Equipment	229,383	253,707
Vehicles	226,867	290,009
Totals	\$11,012,242	\$11,571,619

More detailed information pertaining to the School District's capital asset activity can be found in Note 8 of the notes to the basic financial statements.

Debt Administration

At June 30, 2010, the School District had \$4,955,890 in general obligation debt outstanding with \$340,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2010 compared to fiscal year 2009.

Table 5		
Outstanding Debt, Governmental Activities at Year End		
Purpose	2010	2009
General Obligation Bonds	\$ 4,955,890	\$ 5,125,898

More detailed information pertaining to the School District's long term obligations can be found in Note 13 of the notes to the basic financial statements.

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

CURRENT ISSUES

Although considered a mid-wealth district, Westfall Local School District has experienced a declining financial condition over the past several years. As indicated in the preceding financial information, the School District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the School District to provide a quality education for our students.

The State Legislature has also made several significant changes in impacting local taxes:

In 2006, the Ohio Legislature modified the provisions of the 1999 HB283. This bill was designed to reduce the assessed valuation of the inventory component of personal property tax from 25 percent to 0 percent by 2031. The modification speeds up the reduction of assessed valuation to be completed in half the original time.

Effective May 1, 2001 a kilowatt hour (KWH) tax began being collected. 37.8 percent of these new dollars would be deposited in a new Property Tax Replacement Fund (PTRF). 70 percent of the PTRF will be paid to school districts that lost revenue as determined by the Ohio Department of Taxation. First, distribution will be made to cover costs of fixed sum levies such as debt issues and emergency levies. Next, fixed rate levies would be replaced through 2005; after this a phase out formula would begin.

The Westfall Local School District is faced with an expected operating deficit for fiscal year 2011. As always, the administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District.

The School District is experiencing a modest residential growth as a result of the past decade's explosive growth. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes to over 87 percent of the School District's real estate valuation. The School District is experiencing the same negative pressures as the national economy; foreclosures, delinquent taxes, and decreasing home values in some communities.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Westfall Local School Board of Education, 19463 Pherson Pike, Williamsport, Ohio 43164.

Westfall Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 4,510,961
Property Taxes Receivable	4,963,699
Accounts Receivable	141,910
Intergovernmental Receivable	314,916
Deferred Charges	92,488
Nondepreciable Capital Assets	105,604
Depreciable Capital Assets, Net	10,906,638
<i>Total Assets</i>	21,036,216
Liabilities	
Accounts Payable	75,458
Accrued Wages and Benefits Payable	1,128,901
Intergovernmental Payable	331,492
Accrued Interest Payable	14,824
Deferred Revenue	4,081,450
Claims Payable	4,535
Matured Compensated Absences Payable	1,426
Long-Term Liabilities:	
Due Within One Year	469,654
Due In More Than One Year	6,228,654
<i>Total Liabilities</i>	12,336,394
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,600,701
Restricted for:	
Capital Outlay	1,305,424
Debt Service	600,160
Other Purposes	799,203
Set Asides	408,547
Unrestricted (Deficit)	(14,213)
<i>Total Net Assets</i>	\$ 8,699,822

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
<i>Instruction:</i>				
Regular	\$ 6,837,568	\$ 372,975	\$ 171,726	\$ (6,292,867)
Special	1,846,971	58,048	714,804	(1,074,119)
Vocational	55,394	3,490	-	(51,904)
Other	16,024	1,011	79	(14,934)
<i>Support Services:</i>				
Pupils	481,857	13,473	206,887	(261,497)
Instructional Staff	598,760	29,052	68,695	(501,013)
Board of Education	201,473	12,718	-	(188,755)
Administration	1,450,086	82,893	105,201	(1,261,992)
Fiscal	500,970	30,451	1,081	(469,438)
Business	103,018	95	-	(102,923)
Operation and Maintenance of Plant	1,188,895	53,271	22,120	(1,113,504)
Pupil Transportation	1,048,136	60,235	16,669	(971,232)
Central	35,450	109	25,992	(9,349)
<i>Operation of Non-Instructional Services:</i>				
Food Service	459,683	337,471	347,829	225,617
Extracurricular Activities	393,492	253,129	151,837	11,474
Interest and Fiscal Charges	341,361	1,351	-	(340,010)
Totals	\$ 15,559,138	\$ 1,309,772	\$ 1,832,920	(12,416,446)
General Revenues				
Property Taxes Levied for:				
General Purposes				3,058,252
Classroom Facilities				47,387
Debt Service				448,400
Capital Outlay				435,704
Grants and Entitlements not Restricted to Specific Programs				7,943,210
Payments in Lieu of Taxes				505,815
Investment Earnings				38,943
Miscellaneous				252,775
Total General Revenues				12,730,486
<i>Change in Net Assets</i>				314,040
<i>Net Assets Beginning of Year</i>				8,385,782
<i>Net Assets End of Year</i>				\$ 8,699,822

See accompanying notes to the basic financial statements

Westfall Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,470,019	\$ 523,214	\$ 870,063	\$ 1,220,661	\$ 4,083,957
Property Taxes Receivable	3,776,166	603,631	583,902	-	4,963,699
Accounts Receivable	141,910	-	-	-	141,910
Intergovernmental Receivable	-	-	-	314,916	314,916
Interfund Receivable	439,755	-	-	-	439,755
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	408,547	-	-	-	408,547
<i>Total Assets</i>	<u>\$ 6,236,397</u>	<u>\$ 1,126,845</u>	<u>\$ 1,453,965</u>	<u>\$ 1,535,577</u>	<u>\$ 10,352,784</u>
Liabilities					
Accounts Payable	\$ 65,924	\$ -	\$ -	\$ 9,534	\$ 75,458
Accrued Wages and Benefits Payable	1,000,475	-	-	128,426	1,128,901
Intergovernmental Payable	311,699	-	-	19,793	331,492
Interfund Payable	-	-	-	438,491	438,491
Deferred Revenue	3,464,551	535,892	515,616	27,815	4,543,874
Matured Compensated Absences Payable	1,426	-	-	-	1,426
<i>Total Liabilities</i>	<u>4,844,075</u>	<u>535,892</u>	<u>515,616</u>	<u>624,059</u>	<u>6,519,642</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	54,810	-	257,061	63,763	375,634
Reserved for Property Taxes	453,525	67,739	68,286	-	589,550
Reserved for Textbooks and Instructional Materials	281,263	-	-	-	281,263
Reserved for Capital Improvements	127,284	-	-	-	127,284
Unreserved, Undesignated, Reported in:					
General Fund	475,440	-	-	-	475,440
Special Revenue Funds	-	-	-	514,582	514,582
Debt Service Fund	-	523,214	-	-	523,214
Capital Projects Funds	-	-	613,002	333,173	946,175
<i>Total Fund Balances</i>	<u>1,392,322</u>	<u>590,953</u>	<u>938,349</u>	<u>911,518</u>	<u>3,833,142</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,236,397</u>	<u>\$ 1,126,845</u>	<u>\$ 1,453,965</u>	<u>\$ 1,535,577</u>	<u>\$ 10,352,784</u>

See accompanying notes to the basic financial statements

Westfall Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances		\$ 3,833,142
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,012,242
Some of the School District's receivables will be collected after fiscal year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. These receivables consist of:		
Property Taxes	292,699	
Intergovernmental Accounts	27,815	
Total	141,910	462,424
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		92,488
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(4,955,890)	
Premium on Bonds	(476,549)	
Accrued Interest	(14,824)	
Capital Leases	(435,001)	
Compensated Absences	(830,868)	
Total	(6,713,132)	(6,713,132)
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		12,658
Net Assets of Governmental Activities		\$ 8,699,822

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$ 3,008,143	\$ 446,234	\$ 433,267	\$ 50,820	\$ 3,938,464
Intergovernmental	7,879,035	74,744	73,664	1,792,164	9,819,607
Interest	38,791	-	-	152	38,943
Tuition and Fees	713,395	-	-	-	713,395
Gifts and Donations	-	-	-	20,752	20,752
Extracurricular Activities	17,323	-	-	241,583	258,906
Charges for Services	-	-	-	337,471	337,471
Payments in Lieu of Taxes	505,815	-	-	-	505,815
Miscellaneous	264,301	-	-	4,142	268,443
<i>Total Revenues</i>	<u>12,426,803</u>	<u>520,978</u>	<u>506,931</u>	<u>2,447,084</u>	<u>15,901,796</u>
Expenditures					
Current:					
Instruction:					
Regular	5,962,788	-	146,524	223,193	6,332,505
Special	888,102	-	-	927,383	1,815,485
Vocational	55,291	-	-	103	55,394
Other	16,024	-	-	-	16,024
Support Services:					
Pupils	256,451	-	-	269,451	525,902
Instructional Staff	481,120	-	42,188	89,124	612,432
Board of Education	201,473	-	-	-	201,473
Administration	1,294,937	-	-	136,487	1,431,424
Fiscal	471,754	8,728	8,447	1,402	490,331
Business	1,500	-	56,714	-	58,214
Operation and Maintenance of Plant	845,422	-	128,110	28,698	1,002,230
Pupil Transportation	951,602	-	2,144	16,918	970,664
Central	1,728	-	-	31,974	33,702
Operation of Non-Instructional Services	-	-	3,418	455,807	459,225
Extracurricular Activities	183,668	-	-	196,993	380,661
Capital Outlay	-	-	188,171	9,571	197,742
Debt Service:					
Principal	39,784	340,000	-	-	379,784
Interest and Fiscal Charges	21,409	179,691	-	-	201,100
<i>Total Expenditures</i>	<u>11,673,053</u>	<u>528,419</u>	<u>575,716</u>	<u>2,387,104</u>	<u>15,164,292</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>753,750</u>	<u>(7,441)</u>	<u>(68,785)</u>	<u>59,980</u>	<u>737,504</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	37,954	37,954
Transfers Out	(37,954)	-	-	-	(37,954)
<i>Total Other Financing Sources (Uses)</i>	<u>(37,954)</u>	<u>-</u>	<u>-</u>	<u>37,954</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	715,796	(7,441)	(68,785)	97,934	737,504
<i>Fund Balances Beginning of Year</i>	<u>676,526</u>	<u>598,394</u>	<u>1,007,134</u>	<u>813,584</u>	<u>3,095,638</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,392,322</u>	<u>\$ 590,953</u>	<u>\$ 938,349</u>	<u>\$ 911,518</u>	<u>\$ 3,833,142</u>

See accompanying notes to the basic financial statements

Westfall Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds	\$	737,504
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions were exceeded by depreciation in the current period.</p>		
Capital Asset Additions	9,571	
Current Year Depreciation	<u>(568,948)</u>	
Total		(559,377)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The revenues consist of:</p>		
Property Taxes	51,279	
Intergovernmental	(64,229)	
Accounts	<u>(15,668)</u>	
Total		(28,618)
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.</p>		
		379,784
<p>Interest expense in the statement of activities differ from the amount reported in governmental funds for three reasons. Additional accrued interest was calculated for bonds payable, the amortization of the advance refunding premium, and accretion recognized on capital appreciation bonds.</p>		
Accrued Interest	188	
Amortized Premium	36,657	
Accretion	<u>(169,992)</u>	
Total		(133,147)
<p>Bond issuance costs are reported as expenditures in the governmental funds when due, but in the statement of activities these costs are amortized over the life of the bonds.</p>		
		(7,114)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>		
Compensated Absences		61,584
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>(136,576)</u>
Net Change in Net Assets of Governmental Activities	\$	<u>314,040</u>

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
(Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 12,196,500	\$ 13,131,629	\$ 13,133,970	\$ 2,341
Total Expenditures and Other Uses	<u>12,689,900</u>	<u>12,143,006</u>	<u>12,116,401</u>	<u>26,605</u>
Net Change in Fund Balance	(493,400)	988,623	1,017,569	28,946
Fund Balance, July 1, 2009	674,164	674,164	674,164	-
Prior Year Encumbrances Appropriated	<u>91,282</u>	<u>91,282</u>	<u>91,282</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 272,046</u>	<u>\$ 1,754,069</u>	<u>\$ 1,783,015</u>	<u>\$ 28,946</u>

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Net Assets
Governmental Activities - Internal Service Fund
June 30, 2010

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$ 18,457</u>
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<i>Total Assets</i>	<u><u>\$ 18,457</u></u>
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Liabilities

Current Liabilities:

Interfund Payable	\$ 1,264
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Claims Payable	<u>4,535</u>
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<i>Total Liabilities</i>	<u>5,799</u>
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Net Assets

Unrestricted	<u><u>\$ 12,658</u></u>
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See accompanying notes to the basic financial statements

Westfall Local School District
*Statement of Revenues, Expenses and
Changes in Net Assets*
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2010

Operating Revenues	
Charges for Services	<u>\$ 130,432</u>
<i>Total Operating Revenues</i>	<u>130,432</u>
Operating Expenses	
Claims Expense	<u>267,008</u>
<i>Total Operating Expenses</i>	<u>267,008</u>
<i>Change in Net Assets</i>	(136,576)
<i>Net Assets at Beginning of Year</i>	<u>149,234</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 12,658</u></u>

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2010

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Interfund Services Provided	\$ 330,381	
Cash Payments for Claims	(694,632)	

<i>Net Cash Used for Operating Activities</i>		(364,251)
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Cash Flows from Non Capital Financing Activities:

Short-Term Loans from Other Funds		1,264
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<i>Net Cash Provided by Non Capital Financing Activities</i>		1,264
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<i>Net Decrease in Cash and Cash Equivalents</i>		(362,987)
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<i>Cash and Cash Equivalents at Beginning of Year</i>		381,444
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<i>Cash and Cash Equivalents at End of Year</i>		\$ 18,457
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Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss		\$ (136,576)
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Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:

Decrease in Assets:

Accounts Receivable		199,949
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Decrease in Liabilities:

Claims Payable		(427,624)
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Total Adjustments		(227,675)
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<i>Net Cash Used for Operating Activities</i>		\$ (364,251)
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See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 27,527</u>
<i>Total Assets</i>	<u><u>\$ 27,527</u></u>
Liabilities	
Current Liabilities:	
Due to Students	<u>\$ 27,527</u>
<i>Total Liabilities</i>	<u><u>\$ 27,527</u></u>

See accompanying notes to the basic financial statements

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Westfall Local School District (the School District) is a body politic and corporate organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District is a local school district as defined by Ohio Revised Code Section 3311.03. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by the state statute and/or federal guidelines.

The School District was established through the consolidation of existing land areas and school districts. It is staffed by 66 non-certificated employees, and 104 certified employees who provide services to 1,700 students.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District is associated with one jointly governed organization, the South Central Ohio Computer Association (SCOCA). The School District is also associated with two insurance purchasing pools: Compmanagement Worker's Compensation Group Rating Plan (GRP) and the Pickaway County Public Employee Benefit Program. These organizations are presented in Notes 17 and 18 to the basic financial statements.

The following organizations which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these organizations nor are they fiscally dependent on the School District.

- Boosters Clubs
- Parent-Teacher Organizations

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

The statement of net assets presents the financial condition of governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

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

Governmental Funds

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

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the School District's major governmental funds:

General Fund

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

Bond Retirement Fund

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

Permanent Improvement Fund

This fund is used to account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary and trust funds.

The other governmental funds of the School District account for grants and other resources of the School District whose use is restricted to a particular purpose.

Proprietary Fund

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as internal service. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provided dental benefits to employees.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds, which are used to account for student managed activities and a clearing account for the School District's workers' compensation activity.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenue) and decreases (i.e., expenses) in total net assets.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements, proprietary fund statements, and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, investment earnings, tuition, grants, and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

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

During the fiscal year 2010, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price investments could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$38,791, while all other governmental funds received \$152.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by statute to be set-aside by the School District to create a reserve for textbooks and instructional materials and capital acquisition. See Note 16 for additional information regarding set-asides.

G. Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	100 years
Improvements	8 - 20 years
Furniture, Fixtures and Equipment	8 - 20 years
Library Books and Textbooks	5-10 years
Vehicles	10 years

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributed to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at the fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 10 years of service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees will be paid.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Long-term bonds and capital leases are recognized as a liability on the fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes are primarily from federal and state grants reported in the Special Revenue Funds.

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

The government-wide statement of net assets reports \$3,113,334 in restricted net assets, none of which is restricted by enabling legislation.

L. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and set-asides for textbooks and instructional materials and capital acquisition.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriation under State statute.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the self-insurance service that is the primary activity of that fund.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions

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

O. Estimates

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

P. Budgetary Process

All funds, other than the agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education as the fund level. Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the first permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

NOTE 3 – ACCOUNTABILITY

The following funds had a deficit in their fund balance as of June 30, 2010:

	<u>Amount</u>
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	\$ 171,490
Management Information System	1,010
IDEA Part B	30,422
Title V	1,437

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 – ACCOUNTABILITY (Continued)

The deficits in these funds are the result of the application of accounting principles generally accepted in the United States of America and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund:

Net Change in Fund Balance	
GAAP Basis	\$715,796
<i>Adjustments:</i>	
Revenue Accruals	707,167
Expenditure Accruals	(309,843)
Encumbrances	(95,551)
Budget Basis	\$1,017,569

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers’ acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

Cash on Hand At fiscal year-end, the School District had \$2,000 in undeposited cash on hand which is included on the basic financial statements of the School District, as part of the “Equity in Pooled Cash and Cash Equivalents”.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2010, the School District’s bank balance of \$110,564 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

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

Investment Type	Fair Value	6 Months or Less
STAROhio	\$1,101,167	\$1,101,167
Repurchase Agreement	3,535,525	3,535,525
Total	\$4,636,692	\$4,636,692

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the School District's investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the investment policy, the School District limits its investments to STAR Ohio and repurchase agreements as described in Ohio Revised Code Section 135.143A(2). Investments in STAR Ohio were rated 'AAAm' by Standard & Poor's. Investments in repurchase agreements were unrated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. The policy does not place limitations on the amounts the School District may invest in a single issuer. The School District's investments are 24% in STAROhio and 76% in a repurchase agreement.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk beyond the requirements of the Ohio Revised Code.

All of the School District's investments are either insured and registered in the name of the School District or at least registered in the name of the School District.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - PROPERTY TAXES (Continued)

The School District receives property taxes from Pickaway County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010 are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2010 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2010. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2010 was \$589,550 and is recognized as revenue. Of this total amount, \$453,525 was available to the General Fund, \$67,739 was available to the Bond Retirement Fund, and \$68,286 was available to the Permanent Improvement Capital Projects Fund.

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

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 170,688,980	88.93%	\$ 171,749,660	88.62%
Public Utility Personal	19,640,210	10.23%	21,604,290	11.15%
Tangible Personal Property	1,599,224	0.84%	455,740	0.23%
Total Assessed Value	<u>\$ 191,928,414</u>	<u>100.00%</u>	<u>\$ 193,809,690</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.85		\$ 34.85	

NOTE 7 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$ 117,872
Title II-A	16,643
Title II-D	30,265
Title IV-A	4,518
Part B - IDEA	143,715
Early Childhood Education	1,903
Total Nonmajor Special Revenue Funds	<u>314,916</u>
Total Intergovernmental Receivable	<u>\$ 314,916</u>

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 – CAPITAL ASSETS

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

	Ending Balance 06/30/09	Additions	Deletions	Ending Balance 06/30/10
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 105,604	\$ -	\$ -	\$ 105,604
Construction in Progress	128,593	-	(128,593)	-
Total Capital Assets, Not Being Depreciated	<u>234,197</u>	<u>-</u>	<u>(128,593)</u>	<u>105,604</u>
Capital Assets Being Depreciated				
Land Improvements	2,376,796	128,593	-	2,505,389
Buildings and Improvements	15,251,980	-	-	15,251,980
Furniture, Fixtures and Equipment	592,978	-	-	592,978
Vehicles	1,576,371	9,571	-	1,585,942
Library Books and Text Books	892,299	-	-	892,299
Total Capital Assets, Being Depreciated	<u>20,690,424</u>	<u>138,164</u>	<u>-</u>	<u>20,828,588</u>
Less Accumulated Depreciation:				
Land Improvements	(998,861)	(95,227)	-	(1,094,088)
Buildings and Improvements	(5,836,209)	(376,684)	-	(6,212,893)
Furniture, Fixtures and Equipment	(339,271)	(24,324)	-	(363,595)
Vehicles	(1,286,362)	(72,713)	-	(1,359,075)
Library Books and Text Books	(892,299)	-	-	(892,299)
Total Accumulated Depreciation	<u>(9,353,002)</u>	<u>(568,948)</u>	<u>-</u>	<u>(9,921,950)</u>
Total Capital Assets Being Depreciated, Net	<u>11,337,422</u>	<u>(430,784)</u>	<u>-</u>	<u>10,906,638</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,571,619</u>	<u>\$ (430,784)</u>	<u>\$ (128,593)</u>	<u>\$ 11,012,242</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 423,074
Support Services:	
Instructional Staff	7,218
Administration	422
Operation and Maintenance of Plant	44,804
Pupil Transportation	74,843
Operation of Non-Instructional Services	5,756
Extracurricular Activities	12,831
Total Depreciation Expense	<u>\$ 568,948</u>

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted with Neil Coleman Insurance for professional and general liability insurance, fleet insurance and property insurance. Coverages provided are as follows:

Building and Contents replacement cost (\$5,000)	\$ 45,000,000
Musical Instruments (\$1,000 deductible)	125,000
Automobile Liability (\$500 deductible)	1,000,000
General Liability:	
Per Occurrence (\$0 deductible)	2,000,000
Aggregate Limit	2,000,000
Public Officials Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	10,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

For fiscal year 2010, the School District participated in the Compmanagement Worker’s Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria.

The School District provides a health and dental insurance program for its employees. Effective July 1, 2009, the School District began offering health care benefits to employees through the Pickaway County Public Employees Benefits Program, as more fully described in Note 18. Premiums are paid directly to the Program’s fiscal agent, out of the School District’s Self-Insurance Internal Service Fund. United Healthcare, a third party administrator, services all health claims submitted by employees. Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees. The Internal Service Fund presented in the financial statements reflects the premiums paid by the same funds that pay the employees’ salaries. The premiums paid into the Internal Service Fund are used for claims, claim reserves and administrative costs.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 – RISK MANAGEMENT (Continued)

The claims liability of \$4,535 reported at June 30, 2010 is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs related to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance at End of Year</u>
2009	\$ 311,118	\$ 2,196,818	\$ 2,075,777	\$ 432,159
2010	432,159	267,008	694,632	4,535

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2010, 2009 and 2008 were \$286,108, \$196,010, and \$218,171, respectively; 55 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$129,847 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$747,576, \$841,791, and \$868,320, respectively; 84 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$117,559 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

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, 2010, one member of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$59,679, \$63,945, and \$66,360 for fiscal years 2010, 2009, and 2008, respectively, which are equal to the required allocations for each year.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$15,350, \$16,336, and \$14,779, respectively, which equaled the required allocations for each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$38,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$39,957, \$130,215 and \$108,039, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 12 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for aides and all other classified employees, and for certified employees. Upon retirement, payment is made for 28% of accrued, but unused sick leave credit up to a maximum of 220 days for all employees.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Health, Prescription Drug and Dental Insurance

Effective July 1, 2009, the School District joined the Pickaway County Public Employees Benefits Program to self-insure its medical claims. The Pickaway County Public Employees Benefits Program currently includes 4 member school districts. Contributions are determined by the Program’s Board of Directors and are remitted monthly to the Program’s fiscal agent, who then pays all incurred claims. Thus actual cash “reserves” are held by the fiscal agent.

United Health Care, a third party administrator, services all health/medical claims submitted by employees. The stop loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 06/30/09	Additions	Deductions	Principal Outstanding 06/30/10	Due in One Year
<i>General Obligation Bonds:</i>					
2000 School Facilities Construction					
4.60 - 13.01%					
Capital Appreciation Bonds	\$ 79,993	\$ -	\$ 79,993	\$ -	\$ -
Accretion	153,635	31,372	185,007	-	-
2005 Refunding, 3.00 - 4.10%					
Serial Bonds	4,255,000	-	75,000	4,180,000	-
Capital Appreciation Bonds	319,991	-	-	319,991	126,670
Accretion	317,279	138,620	-	455,899	213,330
Total Long-Term Bonds	5,125,898	169,992	340,000	4,955,890	340,000
Premium on Bonds	513,206	-	36,657	476,549	-
Capital Leases	474,785	-	39,784	435,001	19,000
Compensated Absences	892,452	906,920	968,504	830,868	110,654
Total Long-Term Obligations	\$ 7,006,341	\$ 1,076,912	\$ 1,384,945	\$ 6,698,308	\$ 469,654

2000 School Facilities Construction & Improvement Bonds – On November 3, 1999, the School District issued \$6,505,730 in voted general obligation bonds. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$33,275,000, \$3,060,000 and \$170,732, respectively. The serial bonds were refunded in October 2005 for the entire balance less \$490,000, which was repaid in fiscal years 2007 and 2008.

The term bonds were also refunded in full in October 2005.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The remaining capital appreciation bonds matured during the current fiscal year. The maturity amount of the bond was \$265,000.

2005 Refunding Bonds – In October 2005, the School District issued \$4,879,991 of voted general obligation bonds for the partial advance refunding of the 2000 series bonds. \$4,560,000 was issued as serial bonds with interest rates ranging from 3.0% to 4.10%. \$319,991 was issued as capital appreciation bonds with an interest rate of 25.52%. The bonds were issued for a seventeen year period, with final maturity December 1, 2022. The refunding bonds will be retired from the Bond Retirement Fund.

The serial bonds and capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. The capital appreciation bonds will mature in fiscal years 2011, 2012 and 2013. The maturity amount of the bonds is \$1,030,000.

The general obligation bonds will be paid from the Bond Retirement Fund. The capital leases will be paid from the General Fund. Compensated absences will be paid from the fund from which the employee is paid, with the General Fund being the most significant.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30	2005 Serial Bonds Principal	2005 Serial Bonds Interest	2005 Capital Appreciation*
2011	\$ -	\$ 177,900	\$ 340,000
2012	-	177,900	345,000
2013	-	177,900	345,000
2014	340,000	177,900	-
2015	355,000	160,900	-
2016-2020	2,050,000	543,550	-
2021-2023	1,435,000	116,200	-
	<u>\$ 4,180,000</u>	<u>\$ 1,532,250</u>	<u>\$ 1,030,000</u>

*Total maturity amounts per these amortization schedules do not agree with the balances in the schedule on page 41 because these amounts disclose fully accreted maturity balances whereas page 41 discloses original issuance balances and accumulated accretion.

The Ohio Revised Code provides that voted net obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2010, are voted debt margin of \$12,989,546 and an unvoted debt margin of \$193,810.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 – CAPITAL LEASES

In prior years, the School District has entered into agreements to lease fitness equipment, copiers, and to replace a roof. These leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds. The capital leased assets have been capitalized in the amount of \$823,918 in governmental activities, which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2010 were \$39,784 in the governmental funds.

The School District’s future minimum lease payments and present value of net minimum lease payments required under these capital lease obligations as of June 30, 2010 are as follows:

Year Ended December 31,	Capital Lease Payments
2011	\$ 38,956
2012	39,041
2013	39,080
2014	39,072
2015	39,017
2016-2020	192,613
2021-2025	191,494
2026	37,868
Total Future Minimum Lease Payments	617,141
Less: Amount Representing Interest	(182,140)
Present Value of Net Minimum Lease Payments	\$ 435,001

NOTE 15 – INTERFUND ACTIVITY

As of June 30, 2010, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 439,755	\$ -
<i>Nonmajor Special Revenue Funds:</i>		
Food Service	-	210,000
District Managed Activities	-	10,000
Title VI-IDEA Part B	-	109,819
Title I	-	72,547
Title V	-	2,500
Drug Free School Grant		6,518
Early Childhood Education		3,405
Title II-A		9,893
Title II-D	-	13,809
Total Nonmajor Special Revenue Funds	-	438,491
Internal Service Fund	-	1,264
Total	\$ 439,755	\$ 439,755

The General Fund provided unrestricted monies to other governmental funds as temporary loans until anticipated revenues are collected. These advances are expected to be repaid in fiscal year 2011.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 15 – INTERFUND ACTIVITY (Continued)

During fiscal year ended June 30, 2010, the School District’s interfund transfers were as follows:

Fund	Transfers To	Transfers From
General Fund	\$ -	\$ 37,954
<i>Nonmajor Funds:</i>		
Title II-D	650	-
Early Childhood Education	15	-
Title I	1,928	-
Drug Free Schools	713	-
OneNet	4,352	-
Title V	88	-
Management Information Systems	30,208	-
Total Nonmajor Funds	37,954	-
Total	\$ 37,954	\$ 37,954

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds that collect the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16 – STATUTORY SET-ASIDES

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

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

	Textbooks and Instructional Materials	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2009	\$ 135,273	\$ 127,284
Current Year Set-Aside Requirement	272,667	272,667
Current Year Offsets	-	(71,774)
Current Year Qualifying Disbursements	(126,677)	(200,893)
Totals	281,263	127,284
Set-Aside Reserve Balance as of June 30, 2010	\$ 281,263	\$ 127,284

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 17 – JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association (SCOCA)

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton, Jackson, Lawrence, Pickaway, and Gallia Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$107,856 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek., Piketon, Ohio, 45661.

NOTE 18 – INSURANCE PURCHASING POOLS

Compmanagement Worker’s Compensation Group Rating Plan

The School District participates in a Worker’s Compensation Group Rating Plan (GRP), an insurance purchasing pool, with Compmanagement. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Pickaway County Public Employee Benefit Program

The School District is a member of the Pickaway County Public Employee Benefit Program (the “Program”), a claims servicing pool consisting of four school districts within Pickaway County and its surrounding area. Medical/surgical insurance is administered through a third party administrator, United Health Care. The Consortium’s business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover costs of administering the Consortium. To obtain financial information during fiscal years 2010 and 2011, write to Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113.

NOTE 19 – CONTINGENCIES

Grants

The School 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 affect on the overall financial position of the School District at June 30, 2010.

Litigation

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District’s basic financial statements.

Westfall Local School District
Pickaway County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 198,113	\$ 27,854	\$ 198,113	\$ 27,854
School Breakfast Program	3L70	10.553	28,781	-	28,781	-
Total Nutrition Cluster			226,894	27,854	226,894	27,854
Total United States Department of Agriculture			226,894	27,854	226,894	27,854
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	189,779	-	274,381	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	180,803	-	156,570	-
Total Title I, Part A Cluster			370,582	-	430,951	-
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	248,548	-	308,801	-
Special Education - Preschool Grants	3C50	84.173	7,465	-	6,718	-
Special Education - Preschool Grants, ARRA	3DL0	84.392	117	-	3,521	-
Special Education - Grants to States, ARRA	3DJ0	84.391	68,949	-	114,814	-
Total Special Education Cluster			325,079	-	433,854	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	641	-	5,918	-
Javits Gifted Grant	3700	84.206	-	-	1,400	-
Education Technology State Grants	3S20	84.318	7,600	-	21,079	-
Improving Teacher Quality State Grants	3Y60	84.367	28,564	-	41,493	-
Education for Homeless Children and Youth, ARRA	3DG0	84.387	228	-	228	-
State Fiscal Stabilization Fund, ARRA	GRF	84.394	497,812	-	318,784	-
Total United States Department of Education			1,230,506	-	1,253,707	-
Total Federal Financial Assistance			\$ 1,457,400	\$ 27,854	\$ 1,480,601	\$ 27,854

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

Westfall Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the School District's federal award program. The Schedule has been prepared on the cash basis of accounting.

NOTE B -FOOD DISTRIBUTIONS

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received as assessed by the U.S. Department of Agriculture.

NOTE C -NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal Funds received from the Nationals School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.



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

Members of the Board
Westfall Local School District
19463 Pherson Pike
Williamsport, Ohio 43164

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 11, 2011, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, No. 57 and No. 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 11, 2011



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

Members of the Board
Westfall Local School District
19463 Pherson Pike
Williamsport, Ohio 43164

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

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

Internal Control Over Compliance

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

Members of the Board
Westfall Local School District
Report on Compliance with Requirements Applicable to Each Major Federal Program
And on Internal Control Over Compliance Required by OMB Circular A-133
Page 2

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

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
March 11, 2011

Westfall Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	No
(d)(1)(vii)	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389 Special Education Cluster: Title VI-B - CFDA #84.027 Preschool IDEA B – CFDA #84.173 Title VI-B (ARRA) - CFDA #84.391 Preschool IDEA B (ARRA) – CFDA #84.392 State Fiscal Stabilization Fund (ARRA) - CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Independent Auditor’s Report on Applying Agreed-Upon Procedures

Members of the Board
Westfall Local School District
19463 Pherson Pike
Williamsport, Ohio 43164

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

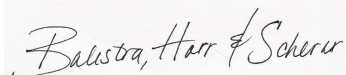
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Westfall Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board updated their anti-harassment policy at its meeting on November 15, 2010.
2. We read the policy and noted it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Balestra, Harr & Scherer, CPAs, Inc.

March 11, 2011

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Dave Yost • Auditor of State

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
MAY 5, 2011**