



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



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, 2010 through June 30, 2011. 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

July 6, 2012

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**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board of Education
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 the Westfall Local School District, Pickaway County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Westfall Local School District, Pickaway County, Ohio, as of June 30, 2011, 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 May 11, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. 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 District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.


Balestra, Harr & Scherer, CPAs, Inc.
May 11, 2012

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
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, 2011. 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, 2011 by \$12,289,424. This balance was comprised of a \$5,346,347 balance invested in capital assets net of related debt, a \$4,390,805 balance in net assets restricted for specific purposes and a balance of \$2,552,272 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$3,589,602, which represents a 41 percent increase from 2010.
- General revenues accounted for \$15,144,526 or 80.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,755,442 or 19.9 percent of total revenues of \$18,899,968.
- The School District had \$15,310,366 in expenses related to governmental activities; \$3,755,442 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 \$15,144,526 were adequate to provide for the remainder of these programs.
- The School District recognizes two major governmental funds: the General and the Permanent Improvement Fund. 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 \$13,990,299 in revenues and \$11,887,203 in expenditures and other financing uses in fiscal year 2011.

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, 2011
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 two major governmental funds are the General and the 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, 2011
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 2011 compared to fiscal year 2010.

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$13,309,673	\$10,023,974
Capital Assets, Net	10,575,561	11,012,242
Total Assets	23,885,234	21,036,216
Liabilities		
Long-Term Liabilities	6,345,165	6,698,308
Current and Other Liabilities	5,250,645	5,638,086
Total Liabilities	11,595,810	12,336,394
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,346,347	5,600,701
Restricted	4,390,805	3,113,334
Unrestricted (Deficit)	2,552,272	(14,213)
Total Net Assets	\$12,289,424	\$8,699,822

Current and other assets increased from fiscal year 2010 due primarily to an increase in cash on hand at fiscal yearend, taxes receivable, and intergovernmental receivables. Cash on hand increased due to receipts in excess of disbursements, which will be more fully discussed after Table 2. Taxes receivable increased due to increases in amounts available from the County Auditor. Intergovernmental Receivables increased due to increases in award amounts for Title I, Title II-A and ARRA Part B IDEA programs. 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 decreased as a result of decreases in deferred revenue, which relates to an increase 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, in 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, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2011 compared to fiscal year 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues		
Program Revenues		
Charges for Services and Sales	\$1,165,023	\$1,309,772
Operating Grants and Contributions	2,590,419	1,832,920
Total Program Revenues	<u>3,755,442</u>	<u>3,142,692</u>
General Revenues		
Property Taxes	6,881,273	3,989,743
Grants and Entitlements Not Restricted	7,966,519	7,943,210
Payments in Lieu of Taxes	0	505,815
Investment Earnings	35,133	38,943
Gifts and Donations	3,406	0
Miscellaneous	258,195	252,775
Total General Revenues	<u>15,144,526</u>	<u>12,730,486</u>
Total Revenues	<u>18,899,968</u>	<u>15,873,178</u>
Program Expenses		
Instruction:		
Regular	6,972,968	6,837,568
Special	1,686,011	1,846,971
Vocational	0	55,394
Other	5,186	16,024
Support Services:		
Pupils	543,392	481,857
Instructional Staff	533,502	598,760
Board of Education	164,915	201,473
Administration	1,362,448	1,450,086
Fiscal	360,608	500,970
Business	95,787	103,018
Operation and Maintenance of Plant	916,316	1,188,895
Pupil Transportation	1,155,041	1,048,136
Central	302,915	35,450
Operation of Non-Instructional Services	503,908	459,683
Extracurricular Activities	405,457	393,492
Interest and Fiscal Charges	301,912	341,361
Total Expenses	<u>15,310,366</u>	<u>15,559,138</u>
Increase in Net Assets	3,589,602	314,040
Net Assets, Beginning of Year	8,699,822	8,385,782
Net Assets, End of Year	<u>\$ 12,289,424</u>	<u>\$ 8,699,822</u>

Westfall Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The most significant program expenses for the School District are Regular Instruction, Special Instruction, Administration, Pupil Transportation, and Operation of Maintenance and Plant. Regular Instruction, which accounts for 45.54 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 11.01 percent of the total cost, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 8.90 percent of the total, represents costs associated with the overall administrative responsibility for each building and the School District as a whole. Pupil Transportation represents 7.54 percent of the total cost, which represents costs associated with transporting students to and from school as well as activities. Operation and Maintenance of Plant which represents 5.98 percent of total cost, represents costs associated with operating and maintenance of school facilities. The increase to Regular Instruction is due to an increase in benefit costs and payables owed by the School District for payroll related items as a result of increases in staff.

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 78.56 percent of total revenues. Property taxes increased due to an increase in the amount available as advance as a result of the timing of tax revenues received by the School District. Payments in lieu of taxes decreased due to the School District not receiving these monies during 2011.

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 36.41 percent and unrestricted intergovernmental revenue made up 42.15 percent of the total revenue for the governmental activities in fiscal year 2011.

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 was fully reimbursed by the state through FY2010, the reimbursement is being phased out beginning in FY2011. During fiscal year 2011, the School District received \$7,163,730 through the State's foundation program, which represents 37.90 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, 2011
Unaudited

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011. 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	
	2011		2010	
<i>Program Expenses:</i>				
Instruction	\$ 8,664,165	\$ 7,249,315	\$ 8,755,957	\$ 7,433,824
Support Services	5,434,924	4,384,584	5,608,645	4,879,703
Operation of Non-Instructional Services	503,908	(271,384)	459,683	(225,617)
Extracurricular Activities	405,457	(109,503)	393,492	(11,474)
Interest and Fiscal Charges	301,912	301,912	341,361	340,010
Total	<u>\$ 15,310,366</u>	<u>\$ 11,554,924</u>	<u>\$ 15,559,138</u>	<u>\$ 12,416,446</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 \$18,523,139 and expenditures and other financing uses of \$15,290,813. Total governmental funds fund balance increased by \$3,232,326.

The increase in fund balance for the year was most significant in the General Fund. This increase of \$2,103,096 is a result of total revenues of \$13,990,299 and expenditures and other financing uses of \$11,887,203.

The Permanent Improvement Fund had revenues of \$864,105 and expenditures of \$404,355 and an increase in fund balance of \$459,750.

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 2011, the School District amended its General Fund budget. 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, 2011
Unaudited

For the General Fund, final budgeted basis revenue was \$12,978,176, which was \$442,651 more than the original budget. This increase was primarily due to property tax revenue. For the General Fund, the final budget basis expenditures were \$11,871,096 which was \$568,618 less than the original budget basis. This decrease is due mainly to a decrease in budgeting for regular instruction.

The General Fund unobligated balance as of June 30, 2011 was \$3,015,075.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the School District had \$10,575,561 invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$10,483,217. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010.

Table 4
 Capital Assets
 (Net of Depreciation)

	Governmental Activities	
	2011	2010
<i>Nondepreciable Capital Assets:</i>		
Land	\$105,604	\$105,604
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,316,074	1,411,301
Buildings and Improvements	8,662,403	9,039,087
Furniture, Fixtures and Equipment	247,293	229,383
Vehicles	244,187	226,867
Totals	\$10,575,561	\$11,012,242

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, 2011, the School District had \$4,749,488 in general obligation debt outstanding with \$345,000 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2011 compared to fiscal year 2010.

Table 5		
Outstanding Debt, Governmental Activities at Year End		
Purpose	2011	2010
General Obligation Bonds	\$ 4,749,488	\$ 4,955,890

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, 2011
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.

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 79 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 Scott Hiles, Treasurer, Westfall Local School Board of Education, 19463 Pherson Pike, Williamsport, Ohio 43164.

Westfall Local School District
Statement of Net Assets
June 30, 2011

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,558,385
Property Taxes Receivable	5,847,911
Accounts Receivable	149,991
Intergovernmental Receivable	668,012
Deferred Charges	85,374
Nondepreciable Capital Assets	105,604
Depreciable Capital Assets, Net	10,469,957
<i>Total Assets</i>	23,885,234
Liabilities	
Accounts Payable	59,999
Accrued Wages and Benefits Payable	1,161,779
Intergovernmental Payable	318,841
Accrued Interest Payable	14,824
Deferred Revenue	3,579,087
Claims Payable	4,377
Matured Compensated Absences Payable	51,738
Early Retirement Incentive Payable	60,000
Long-Term Liabilities:	
Due Within One Year	464,186
Due In More Than One Year	5,880,979
<i>Total Liabilities</i>	11,595,810
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,346,347
Restricted for:	
Capital Outlay	1,760,088
Debt Service	903,833
Other Purposes	1,372,707
Set Asides	354,177
Unrestricted	2,552,272
<i>Total Net Assets</i>	\$ 12,289,424

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
<i>Instruction:</i>				
Regular	\$ 6,972,968	\$ 340,014	\$ 118,885	\$ (6,514,069)
Special	1,686,011	44,710	910,352	(730,949)
Other	5,186	247	642	(4,297)
<i>Support Services:</i>				
Pupils	543,392	15,831	263,483	(264,078)
Instructional Staff	533,502	20,606	151,251	(361,645)
Board of Education	164,915	8,908	-	(156,007)
Administration	1,362,448	62,833	209,759	(1,089,856)
Fiscal	360,608	18,323	1,898	(340,387)
Business	95,787	-	-	(95,787)
Operation and Maintenance of Plant	916,316	42,160	73,920	(800,236)
Pupil Transportation	1,155,041	57,523	23,342	(1,074,176)
Central	302,915	11,851	88,652	(202,412)
<i>Operation of Non-Instructional Services:</i>				
Food Service	503,908	282,161	493,131	271,384
Extracurricular Activities	405,457	259,856	255,104	109,503
Interest and Fiscal Charges	301,912	-	-	(301,912)
<i>Totals</i>	<u>\$ 15,310,366</u>	<u>\$ 1,165,023</u>	<u>\$ 2,590,419</u>	<u>(11,554,924)</u>
General Revenues				
Property Taxes Levied for:				
				5,225,644
				81,359
				789,619
				784,651
Grants and Entitlements not Restricted to Specific Programs				
				7,966,519
Gifts and Donations not Restricted to Specific Programs				
				3,406
				35,133
				258,195
<i>Total General Revenues</i>				<u>15,144,526</u>
<i>Change in Net Assets</i>				3,589,602
<i>Net Assets Beginning of Year</i>				<u>8,699,822</u>
<i>Net Assets End of Year</i>				<u>\$ 12,289,424</u>

See accompanying notes to the basic financial statements

Westfall Local School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,871,652	\$ 1,176,425	\$ 2,150,444	\$ 6,198,521
Property Taxes Receivable	4,513,800	665,574	668,537	5,847,911
Accounts Receivable	149,991	-	-	149,991
Intergovernmental Receivable	6,708	-	661,304	668,012
Interfund Receivable	252,728	-	-	252,728
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	354,177	-	-	354,177
<i>Total Assets</i>	<u>\$ 8,149,056</u>	<u>\$ 1,841,999</u>	<u>\$ 3,480,285</u>	<u>\$ 13,471,340</u>
Liabilities				
Accounts Payable	\$ 46,008	\$ 6,935	\$ 7,056	\$ 59,999
Accrued Wages and Benefits Payable	1,019,265	-	142,514	1,161,779
Intergovernmental Payable	270,995	-	47,846	318,841
Interfund Payable	-	-	252,728	252,728
Deferred Revenue	3,099,612	436,965	964,210	4,500,787
Matured Compensated Absences Payable	51,738	-	-	51,738
Early Retirement Incentive Payable	60,000	-	-	60,000
<i>Total Liabilities</i>	<u>4,547,618</u>	<u>443,900</u>	<u>1,414,354</u>	<u>6,405,872</u>
Fund Balances				
Restricted	354,177	1,398,099	2,131,890	3,884,166
Assigned	223,894	-	-	223,894
Unassigned	3,023,367	-	(65,959)	2,957,408
<i>Total Fund Balances</i>	<u>3,601,438</u>	<u>1,398,099</u>	<u>2,065,931</u>	<u>7,065,468</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,149,056</u>	<u>\$ 1,841,999</u>	<u>\$ 3,480,285</u>	<u>\$ 13,471,340</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, 2011*

Total Governmental Fund Balances		\$ 7,065,468
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.		10,575,561
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	253,970	
Intergovernmental	525,820	
Accounts	141,910	
Total	921,700	921,700
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		85,374
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Refunding Bonds	(4,749,488)	
Premium on Refunding Bonds	(439,892)	
Accrued Interest	(14,824)	
Capital Leases	(416,001)	
Compensated Absences	(739,784)	
Total	(6,359,989)	(6,359,989)
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.		1,310
Net Assets of Governmental Activities		\$ 12,289,424

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, 2011

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 5,254,666	\$ 789,737	\$ 875,599	\$ 6,920,002
Intergovernmental	7,808,560	74,368	2,157,451	10,040,379
Interest	35,133	-	-	35,133
Tuition and Fees	555,578	-	-	555,578
Rent	5,180	-	-	5,180
Gifts and Donations	3,406	-	18,554	21,960
Extracurricular Activities	70,831	-	251,630	322,461
Charges for Services	-	-	281,804	281,804
Miscellaneous	256,945	-	1,250	258,195
<i>Total Revenues</i>	<u>13,990,299</u>	<u>864,105</u>	<u>3,586,288</u>	<u>18,440,692</u>
Expenditures				
Current:				
Instruction:				
Regular	6,334,258	132,012	113,148	6,579,418
Special	846,768	640	846,507	1,693,915
Other	4,581	-	605	5,186
Support Services:				
Pupils	293,070	-	250,706	543,776
Instructional Staff	387,876	2,324	142,498	532,698
Board of Education	164,915	-	-	164,915
Administration	1,198,966	1,210	192,106	1,392,282
Fiscal	350,211	13,836	7,564	371,611
Business	-	50,247	-	50,247
Operation and Maintenance of Plant	779,786	66,192	69,642	915,620
Pupil Transportation	1,072,080	9,094	18,572	1,099,746
Central	219,393	-	74,381	293,774
Operation of Non-Instructional Services	568	25,074	465,468	491,110
Extracurricular Activities	152,284	-	240,342	392,626
Capital Outlay	-	103,726	20,860	124,586
Debt Service:				
Principal	-	-	359,000	359,000
Interest and Fiscal Charges	-	-	197,856	197,856
<i>Total Expenditures</i>	<u>11,804,756</u>	<u>404,355</u>	<u>2,999,255</u>	<u>15,208,366</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>2,185,543</u>	<u>459,750</u>	<u>587,033</u>	<u>3,232,326</u>
Other Financing Sources (Uses)				
Transfers In	-	-	82,447	82,447
Transfers Out	(82,447)	-	-	(82,447)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,447)</u>	<u>-</u>	<u>82,447</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	2,103,096	459,750	669,480	3,232,326
<i>Fund Balances Beginning of Year - As Restated</i>	<u>1,498,342</u>	<u>938,349</u>	<u>1,396,451</u>	<u>3,833,142</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,601,438</u>	<u>\$ 1,398,099</u>	<u>\$ 2,065,931</u>	<u>\$ 7,065,468</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, 2011*

Net Change in Fund Balances - Total Governmental Funds		\$ 3,232,326
<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	124,586	
Current Year Depreciation	<u>(561,267)</u>	
Total		(436,681)
<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	(38,729)	
Intergovernmental	<u>498,005</u>	
Total		459,276
<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>		
		359,000
<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>		
Amortized Premium	36,657	
Accretion	<u>(133,598)</u>	
Total		(96,941)
<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		91,084
<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>(11,348)</u>
Net Change in Net Assets of Governmental Activities		<u><u>\$ 3,589,602</u></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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget: Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Total Revenues and Other Sources	\$ 12,533,525	\$ 12,978,176	\$ 12,978,176	\$ -
Total Expenditures and Other Uses	<u>12,439,714</u>	<u>11,871,096</u>	<u>11,871,096</u>	<u>-</u>
Net Change in Fund Balance	93,811	1,107,080	1,107,080	-
Fund Balance, July 1, 2010 - As Restated (See Note 20)	1,812,444	1,812,444	1,812,444	-
Prior Year Encumbrances Appropriated	<u>95,551</u>	<u>95,551</u>	<u>95,551</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 2,001,806</u>	<u>\$ 3,015,075</u>	<u>\$ 3,015,075</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

Westfall Local School District
Statement of Net Assets
Governmental Activities - Internal Service Fund
June 30, 2011

Assets

Current Assets:

Equity in Pooled Cash and Cash Equivalents \$ 5,687

Total Assets \$ 5,687

Liabilities

Current Liabilities:

Claims Payable 4,377

Total Liabilities 4,377

Net Assets

Unrestricted \$ 1,310

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, 2011

Operating Revenues	
Charges for Services	<u>\$ 137,096</u>
<i>Total Operating Revenues</i>	<u>137,096</u>
Operating Expenses	
Claims Expense	<u>148,444</u>
<i>Total Operating Expenses</i>	<u>148,444</u>
<i>Change in Net Assets</i>	(11,348)
<i>Net Assets at Beginning of Year</i>	<u>12,658</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 1,310</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, 2011

Decrease in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from Interfund Services Provided	\$ 137,096	
Cash Payments for Claims	(148,602)	(148,602)

<i>Net Cash Used for Operating Activities</i>		(11,506)
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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>		(12,770)
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<i>Cash and Cash Equivalents at Beginning of Year</i>		18,457
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<i>Cash and Cash Equivalents at End of Year</i>	\$ 5,687	5,687
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Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss	\$ (11,348)	
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Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:

Decrease in Liabilities:

Claims Payable		(158)
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Total Adjustments		(158)
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<i>Net Cash Used for Operating Activities</i>	\$ (11,506)	(11,506)
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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, 2011

	<u>Agency Funds</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 30,573</u>
<i>Total Assets</i>	<u><u>\$ 30,573</u></u>
Liabilities	
Current Liabilities:	
Due to Students	<u>\$ 30,573</u>
<i>Total Liabilities</i>	<u><u>\$ 30,573</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, 2011

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 70 non-certificated employees, and 109 certified employees who provide services to 1,676 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, 2011

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, 2011

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 not accounted for and reported 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.

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 primary source of revenue is tax revenue.

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 provides dental benefits to employees. The primary source of revenue is charges to the various funds of the School District.

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, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011

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 2011, 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, 2011.

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 2011 amounted to \$35,133.

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, 2011

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, 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, 2011

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 \$4,390,805 in restricted net assets, none of which is restricted by enabling legislation.

L. Fund Balance Reserves

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

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.

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 2011.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011:

	<u>Amount</u>
<i>Nonmajor Special Revenue Funds:</i>	
Title II-D	\$ 585
Management Information System	172
Drug Free School Grant	2,000
Title V	2,503
IDEA Part B	60,699

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).
4. Funds reported as part of the General Fund on the GAAP basis are not included on the budgetary basis.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

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	\$2,103,096
<i>Adjustments:</i>	
Revenue Accruals	(902,840)
Expenditure Accruals	65,202
Encumbrances	(135,609)
Prospective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(22,769)
Budget Basis	\$1,107,080

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;

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
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".

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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, 2011, the School District’s bank balance of \$111,177 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, 2011, the School District had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
STAROhio	\$1,102,354	\$1,102,354
Repurchase Agreement	5,617,904	5,617,904
Total	\$6,720,258	\$6,720,258

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 16% in STAROhio and 84% 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.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected in 2011 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 2011 (other than public utility property tax) represents the collection of 2011 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 2011 were levied after April 1, 2010, on the value as of December 31, 2010. 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.

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, 2011 are available to finance fiscal year 2011 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 2011 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2011. 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, 2011 was \$2,014,854 and is recognized as revenue. Of this total amount, \$1,556,098 was available to the General Fund, \$230,147 was available to the Bond Retirement Fund, and \$228,609 was available to the Permanent Improvement Capital Projects Fund.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 171,749,660	88.62%	\$ 202,366,270	77.90%
Public Utility Personal	21,604,290	11.15%	57,408,620	22.10%
Tangible Personal Property	455,740	0.23%	-	0.00%
Total Assessed Value	<u>\$ 193,809,690</u>	<u>100.00%</u>	<u>\$ 259,774,890</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.85		\$ 34.85	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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>Major Fund:</i>	
General Fund	\$ 6,708
<i>Nonmajor Special Revenue Funds:</i>	
Food Service	33,531
Title I	360,538
Title II-A	75,077
Title II-D	1,369
Title IV-A	249
Part B - IDEA	170,393
Early Childhood Education	11,940
Education Jobs	8,207
Total Nonmajor Special Revenue Funds	<u>661,304</u>
Total Intergovernmental Receivable	<u>\$ 668,012</u>

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Ending Balance 06/30/10	Additions	Deletions	Ending Balance 06/30/11
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 105,604	\$ -	\$ -	\$ 105,604
Total Capital Assets, Not Being Depreciated	<u>105,604</u>	<u>-</u>	<u>-</u>	<u>105,604</u>
Capital Assets Being Depreciated				
Land Improvements	2,505,389	-	-	2,505,389
Buildings and Improvements	15,251,980	-	-	15,251,980
Furniture, Fixtures and Equipment	592,978	46,928	-	639,906
Vehicles	1,585,942	77,658	-	1,663,600
Library Books and Text Books	892,299	-	-	892,299
Total Capital Assets, Being Depreciated	<u>20,828,588</u>	<u>124,586</u>	<u>-</u>	<u>20,953,174</u>
Less Accumulated Depreciation:				
Land Improvements	(1,094,088)	(95,227)	-	(1,189,315)
Buildings and Improvements	(6,212,893)	(376,684)	-	(6,589,577)
Furniture, Fixtures and Equipment	(363,595)	(29,018)	-	(392,613)
Vehicles	(1,359,075)	(60,338)	-	(1,419,413)
Library Books and Text Books	(892,299)	-	-	(892,299)
Total Accumulated Depreciation	<u>(9,921,950)</u>	<u>(561,267)</u>	<u>-</u>	<u>(10,483,217)</u>
Total Capital Assets Being Depreciated, Net	<u>10,906,638</u>	<u>(436,681)</u>	<u>-</u>	<u>10,469,957</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,012,242</u>	<u>\$ (436,681)</u>	<u>\$ -</u>	<u>\$ 10,575,561</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 423,075
Support Services:	
Pupils	2,086
Instructional Staff	7,218
Administration	422
Operation and Maintenance of Plant	45,540
Pupil Transportation	62,468
Operation of Non-Instructional Services	7,627
Extracurricular Activities	12,831
Total Depreciation Expense	<u>\$ 561,267</u>

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 2011, 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 2011, 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.

Effective July 1, 2009, the School District began offering health care benefits to employees through the Pickaway County Public Employees Benefits Program, which is more fully described in Note 18. The health care coverage is administered by United Healthcare, a third party administrator. 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. 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 and administrative costs for the dental program.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – RISK MANAGEMENT (Continued)

The claims liability of \$4,377 reported at June 30, 2011 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>
2010	\$ 432,159	\$ 267,008	\$ 694,632	\$ 4,535
2011	4,535	148,444	148,602	\$ 4,377

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 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 3.19 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, 2011, 2010 and 2009 were \$198,616, \$286,108, and \$196,010, respectively; 55 percent of the required contribution has been made for fiscal year 2011 and 100 percent of the required contribution has been made for fiscal years 2010 and 2009. \$88,491 represents the unpaid contribution for fiscal year 2011 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, 2011

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, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2011, 2010, and 2009, 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, 2011, 2010, and 2009 were \$741,466, \$747,576, and \$841,791, respectively; 83 percent of the required contribution has been made for fiscal year 2011 and 100 percent of the required contribution has been made for fiscal years 2010 and 2009. \$127,140 represents the unpaid contribution for fiscal year 2011 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, 2011, 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, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$56,299, \$59,679, and \$63,945 for fiscal years 2011, 2010, and 2009, 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 2011 was \$96.40 for most participants, but could be as high as \$369.10 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, 2011

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 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. For the School District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$15,443, \$15,350, and \$16,336, 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 2011, 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, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$51,349, \$39,957 and \$130,215, respectively, which equaled the required allocations for each year.

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, 2011

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Health, Prescription Drug and Dental Insurance

The School District provides health care benefits through the Pickaway County Public Employees Benefits Program. 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 2011 were as follows:

	Principal Outstanding 06/30/10	Additions	Deductions	Principal Outstanding 06/30/11	Due in One Year
<i>General Obligation Bonds:</i>					
2005 Refunding, 3.00 - 4.10%					-
Serial Bonds	4,180,000	-	-	4,180,000	-
Capital Appreciation Bonds	319,991	-	126,670	193,321	105,963
Accretion	455,899	133,598	213,330	376,167	239,037
Total Long-Term Bonds	4,955,890	133,598	340,000	4,749,488	345,000
Premium on Bonds	476,549	-	36,657	439,892	-
Capital Leases	435,001	-	19,000	416,001	20,000
Compensated Absences	830,868	872,239	963,323	739,784	99,186
Total Long-Term Obligations	\$ 6,698,308	\$ 1,005,837	\$ 1,358,980	\$ 6,345,165	\$ 464,186

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.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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 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, 2011, are as follows:

Fiscal Year Ending June 30	2005 Serial Bonds Principal	2005 Serial Bonds Interest	2005 Capital Appreciation*
2012	-	177,900	345,000
2013	-	177,900	345,000
2014	340,000	177,900	-
2015	355,000	160,900	-
2016			-
2017-2021	2,050,000	543,550	-
2022-2023	1,435,000	116,200	-
	<u>\$ 4,180,000</u>	<u>\$ 1,354,350</u>	<u>\$ 690,000</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, 2011, are voted debt margin of \$19,675,519 and an unvoted debt margin of \$259,775.

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 2011 were \$19,000 in the governmental funds.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 – CAPITAL LEASES (Continued)

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, 2011 are as follows:

Year Ended December 31,	Capital Lease Payments
2012	\$ 39,041
2013	39,080
2014	39,072
2015	39,017
2016	38,915
2017-2021	192,375
2022-2026	190,685
Total Future Minimum Lease Payments	578,185
Less: Amount Representing Interest	(162,184)
Present Value of Net Minimum Lease Payments	\$ 416,001

NOTE 15 – INTERFUND ACTIVITY

As of June 30, 2011, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 252,728	\$ -
<i>Nonmajor Special Revenue Funds:</i>		
Food Service	-	210,000
District Managed Activities	-	10,000
Title VI-IDEA Part B	-	14,220
Title I	-	13,423
Title V	-	2,500
Drug Free School Grant		2,000
Title II-D		585
Total Nonmajor Special Revenue Funds	-	252,728
Total	\$ 252,728	\$ 252,728

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 2012.

During fiscal year ended June 30, 2011, the School District’s interfund transfers were as follows:

Fund	Transfers To	Transfers From
General Fund	\$ -	\$ 82,447
<i>Nonmajor Fund:</i>		
Classroom Fac.	82,447	-
Total Nonmajor Fund	82,447	-
Total	\$ 82,447	\$ 82,447

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – INTERFUND ACTIVITY (Continued)

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, 2010	\$ 281,263	\$ 127,284
Current Year Set-Aside Requirement	253,165	253,165
Current Year Offsets	-	(82,291)
Current Year Qualifying Disbursements	(180,251)	(298,158)
Totals	354,177	-
Set-Aside Reserve Balance as of June 30, 2011	\$ 354,177	\$ -

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 \$91,603 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.

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 Employer Benefit Program (the “Program”), a public entity shared risk pool consisting of four school districts within Pickaway County and its surrounding area. The Board of Directors exercise control over the operation of the Program. Each member School District is represented on the Board of Directors by their superintendent or superintendent designee. To obtain financial information, write to Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

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, 2011.

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.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds, and resulted in the following restatement of the School District’s financial statements:

Westfall Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES (Continued)

	General	Bond Retirement	Permanent Improvement	All Other Governmental	Total	General Budgetary
Fund Balances, June 30, 2010	\$1,392,322	\$590,953	\$938,349	\$911,518	\$3,833,142	\$1,783,015
Change in Major Funds	0	(590,953)	0	590,953	0	0
GASB 54 Fund Reclassifications	106,020	0	0	(106,020)	0	29,429
Restated Fund Balances, June 30, 2010	<u>\$1,498,342</u>	<u>\$0</u>	<u>\$938,349</u>	<u>\$1,396,451</u>	<u>\$3,833,142</u>	<u>\$1,812,444</u>

NOTE 21 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for				
Fiscal Stabilization	\$0	\$0	\$242,967	\$242,967
Other Purposes	354,177	0	516,414	870,591
Lunchroom	0	0	39,134	39,134
Classroom Facilities	0	0	510,258	510,258
Capital Improvements	0	1,398,099	0	1,398,099
Debt Services Payments	0	0	823,117	823,117
Total Restricted	<u>354,177</u>	<u>1,398,099</u>	<u>2,131,890</u>	<u>3,884,166</u>
Assigned to				
Other Purposes	<u>223,894</u>	<u>0</u>	<u>0</u>	<u>223,894</u>
Unassigned (Deficit)	<u>3,023,367</u>	<u>0</u>	<u>(65,959)</u>	<u>2,957,408</u>
Total Fund Balances	<u>\$3,601,438</u>	<u>\$1,398,099</u>	<u>\$2,065,931</u>	<u>\$7,065,468</u>

Westfall Local School District
Pickaway County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2011

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>						
School Breakfast Program	3L70	10.553	\$ 62,447	\$ -	\$ 62,447	\$ -
National School Lunch Program	3L60	10.555	313,881	35,082	313,881	35,082
Total Nutrition Cluster			<u>376,328</u>	<u>35,082</u>	<u>376,328</u>	<u>35,082</u>
Total United States Department of Agriculture			<u>376,328</u>	<u>35,082</u>	<u>376,328</u>	<u>35,082</u>
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 Education Agencies	3M00	84.010	395,713	-	437,918	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	-	-	21,430	-
Total Title I, Part A Cluster			<u>395,713</u>	<u>-</u>	<u>459,348</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	444,140	-	462,552	-
Special Education Preschool Grants	3C50	84.173	6,233	-	7,568	-
Special Education Grants to States ARRA	3DJ0	84.391	177,637	-	170,991	-
Special Education Preschool Grants ARRA	3DL0	84.392	5,192	-	4,482	-
Total Special Education Cluster (IDEA)			<u>633,202</u>	<u>-</u>	<u>645,593</u>	<u>-</u>
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	30,405	-	37,384	-
Total Education Technology State Grants Cluster			<u>30,405</u>	<u>-</u>	<u>37,384</u>	<u>-</u>
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	611,620	-	527,035	-
Total State Fiscal Stabilization Fund Cluster			<u>611,620</u>	<u>-</u>	<u>527,035</u>	<u>-</u>
<i>Safe and Drug Free Schools and Communities State Grants</i>						
Education Jobs Fund	3D10	84.186	5,785	-	11,705	-
Improving Teacher Quality - State Grants	3Y60	84.367	56,995	-	54,405	-
			61,978	-	61,544	-
Total United States Department of Education			<u>1,795,698</u>	<u>-</u>	<u>1,797,014</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,172,026</u>	<u>\$ 35,082</u>	<u>\$ 2,173,342</u>	<u>\$ 35,082</u>

See 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, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National 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.

NOTE C – FOOD DONATION

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 value of the commodities received as assessed by the U.S. Department of Agriculture.



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

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 District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2012 wherein we noted that the District implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

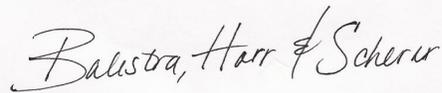
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

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

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



Balestra, Harr & Scherer, CPAs, Inc.
May 11, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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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 of Education
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 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, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Westfall Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-002.

Internal Control Over Compliance

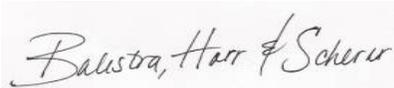
The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over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

Members of the Board of Education
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 entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 11, 2012

**Westfall Local School District
Pickaway County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster; Special Education Grants to States; CFDA# 84.027 Special Education Preschool Grants; CFDA# 84.173 Special Education Grants to States ARRA; CFDA# 84.391 Special Education Preschool Grants ARRA; CFDA# 84.392 State Fiscal Stabilization Fund (SFSF)-Education State Grants, 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

**Westfall Local School District
Pickaway County, Ohio**

**Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2011**

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

FINDING NUMBER 2011-001

Non-Compliance

Per Ohio Rev. Code §117.38, GAAP-basis entities must file annual reports within 150 days of their fiscal year end. Per Auditor of State Bulletins 2006-02 and 2008-01, annual reports filed with Auditor of State must be complete to avoid the application of a penalty permissible under Ohio Rev. Code §117.38. To be complete, GAAP entities must submit the basic financial statements, including the government-wide financial statements, fund financial statements, notes to the basic financial statements, Management’s Discussion & Analysis, and any other required supplementary information to be considered a complete filing.

While the District filed a draft report with the Auditor of State on December 1, 2011, that report did not reflect accurate information. The final report was not filed with the Auditor of State until May 10, 2012, and a more accurate draft was not available to audit until May 3, 2012.

The District should take due care to ensure that a substantially complete report is filed with the Auditor of State within 150 days of year end.

Response: Future reports will be completed within the allowed time frame.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-002
CFDA Title and Number	Special Education Cluster: CFDA #s 84.027, 84.173, 84.391 (ARRA), 84.392 (ARRA) State Fiscal Stabilization Fund (SFSF) Education State Grants, ARRA CFDA # 84.394
Federal Award Year	2010-2011
Federal Agency	United States Department of Education

Noncompliance Citation – Reporting

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District did not submit the required reports within this time frame.

The District should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the District should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

Westfall Local School District
Pickaway County
June 30, 2011

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §315(c)

Corrective Action Plan for Finding 2011-002:

Finding Control Number: 2011-002

Summary of Finding: The District did not submit the data collection form and reporting package within the required time frame for fiscal year 2011.

Statement of Concurrence: The District is aware of Finding 2011-002 and agrees that the finding as stated is correct.

Corrective Action: The District is working closely with its independent public accountant to ensure that all appropriate deadlines are met. The District will ensure that this deadline is complied with for 2012 and all future years.

Contact Person: The official responsible for completing the corrective action is listed below:

Scott Hiles
Treasurer
Phone: (740) 986-8803
Email: shiles@mail.gsn.k12.oh.us



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Independent Auditor's Report on Applying Agreed Upon Procedures

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

To the Board of Education:

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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.

May 11, 2012

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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
JULY 19, 2012**