



Dave Yost • Auditor of State



**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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, Ohio (the District), as of and for the year ended June 30, 2012, 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 the Westfall Local School District, Pickaway County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 federal awards receipts and expenditures schedule 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 federal awards receipts and expenditures schedule 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.



**Dave Yost**  
Auditor of State

March 11, 2013

**Westfall Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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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, 2012. 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, 2012 by \$13,022,536. This balance was comprised of a \$5,750,786 balance invested in capital assets net of related debt, a \$2,945,670 balance in net assets restricted for specific purposes and a balance of \$4,326,080 in unrestricted net assets.
- In total, net assets of governmental activities increased by \$733,112, which represents a 6 percent increase from 2011.
- General revenues accounted for \$14,279,598 or 84.9 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,534,438 or 15.0 percent of total revenues of \$16,814,036.
- The School District had \$16,080,924 in expenses related governmental activities; \$2,534,438 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 \$14,279,598 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 \$13,451,771 in revenues and \$12,374,939 in expenditures and other financing uses in fiscal year 2012.

**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, 2012*  
*Unaudited*

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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, 2012*  
*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 2012 compared to fiscal year 2011.

Table 1  
Net Assets

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$16,427,339	\$13,309,673
Capital Assets, Net	10,817,380	10,575,561
Total Assets	27,244,719	23,885,234
<b>Liabilities</b>		
Long-Term Liabilities	6,038,413	6,345,165
Current and Other Liabilities	8,183,770	5,250,645
Total Liabilities	14,222,183	11,595,810
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	5,750,786	5,346,347
Restricted	2,945,670	4,390,805
Unrestricted	4,326,080	2,552,272
Total Net Assets	\$13,022,536	\$12,289,424

Current and other assets increased from fiscal year 2011 due primarily to an increase in cash on hand at fiscal year end and taxes receivable. 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 estimated taxes for fiscal year 2013. Capital assets increased mainly due to construction in progress and additions which were partially offset by current year depreciation.

Long-term liabilities decreased as the result of scheduled payments made on debt outstanding which were partially offset by current year accretion. Current and other liabilities increased as a result of increases in deferred revenue, which relates to the increase in taxes receivable and also due to an increase in contracts payable due to construction.

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

**Westfall Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year 2012 compared to fiscal year 2011.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$1,066,240	\$1,165,023
Operating Grants and Contributions	1,468,198	2,590,419
Total Program Revenues	<u>2,534,438</u>	<u>3,755,442</u>
General Revenues		
Property Taxes	5,189,389	6,881,273
Grants and Entitlements Not Restricted	8,291,132	7,966,519
Payments in Lieu of Taxes	507,166	-
Investment Earnings	44,120	35,133
Gifts and Donations Not Restricted	1,720	3,406
Miscellaneous	246,071	258,195
Total General Revenues	<u>14,279,598</u>	<u>15,144,526</u>
Total Revenues	<u>16,814,036</u>	<u>18,899,968</u>
<b>Program Expenses</b>		
Instruction:		
Regular	6,967,821	6,972,968
Special	1,958,074	1,686,011
Vocational	29,238	-
Other	40,621	5,186
Support Services:		
Pupils	211,221	543,392
Instructional Staff	762,208	533,502
Board of Education	259,500	164,915
Administration	1,397,055	1,362,448
Fiscal	429,057	360,608
Business	62,104	95,787
Operation and Maintenance of Plant	1,227,118	916,316
Pupil Transportation	1,122,129	1,155,041
Central	336,532	302,915
Operation of Non-Instructional Services	647,004	503,908
Extracurricular Activities	374,881	405,457
Interest and Fiscal Charges	256,361	301,912
Total Expenses	<u>16,080,924</u>	<u>15,310,366</u>
Increase in Net Assets	733,112	3,589,602
Net Assets, Beginning of Year	12,289,424	8,699,822
Net Assets, End of Year	<u>\$ 13,022,536</u>	<u>\$ 12,289,424</u>

**Westfall Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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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 43.33 percent of the total, represents costs associated with providing general educational services. Special Instruction, which represents 12.18 percent of the total cost, represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Administration, which represents 8.69 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 6.98 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 7.63 percent of total cost, represents costs associated with operating and maintenance of school facilities. The increase to Special 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. Charges for Services decreased primarily due to decreased revenues for extracurricular activities. Operating grants and contributions revenues decreased primarily due to a decrease in State Fiscal Stabilization receipts, which were partially offset by an increase in Education Jobs receipts. Instructional staff expenses increased as a result of increased Education Jobs receipts. Operation and maintenance of plant expenses increased as a result of increased spending for classroom facilities and maintenance. Operation of non-instructional services expenses increased due primarily to an increase in lunchroom expenses. Pupils expense decreased as a result of decreased State Fiscal Stabilization monies received.

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 80.17 percent of total revenues. Property taxes decreased due to a \$1.56 million decrease in the amount available for advance as from 2011. Grants and entitlements not restricted increased due to increased state foundation reimbursement receipts. Payments in Lieu of taxes increased due to no payments received in the prior year.

#### **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 30.86 percent and unrestricted intergovernmental revenue made up 49.31 percent of the total revenue for the governmental activities in fiscal year 2012.

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 eliminated the Tangible Personal Property Tax. While the School District was fully reimbursed by the state through FY2010, the reimbursement was phased out in FY2011. During fiscal year 2012, the School District received \$7,620,458 through the State's foundation program, which represents 44.97 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, 2012*  
*Unaudited*

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2012. 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	
	2012		2011	
<i>Program Expenses:</i>				
Instruction	\$ 8,995,754	\$ 8,027,787	\$ 8,664,165	\$ 7,249,315
Support Services	5,806,924	5,135,847	5,434,924	4,384,584
Operation of Non-Instructional Services	647,004	18,851	503,908	(271,384)
Extracurricular Activities	374,881	107,640	405,457	(109,503)
Interest and Fiscal Charges	256,361	256,361	301,912	301,912
Total	<u>\$ 16,080,924</u>	<u>\$ 13,546,486</u>	<u>\$ 15,310,366</u>	<u>\$ 11,554,924</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 \$17,278,759 exceeding expenditures and other financing uses of \$16,967,549. Total governmental funds fund balance increased by \$311,210.

The increase in fund balance for the year was most significant in the General Fund. This increase of \$1,076,832 is a result of total revenues of \$13,451,771 exceeding expenditures and other financing uses of \$12,374,939.

The Permanent Improvement Fund had revenues and other financing sources of \$939,981 expenditures of \$1,292,757 which resulted in a decrease in fund balance of \$352,776.

***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 2012, 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, 2012*  
*Unaudited*

For the General Fund, final budgeted basis revenue was \$14,194,242, which was \$1,520,652 more than the original budget. This increase was primarily due to property tax revenue. For the General Fund, the final budget basis expenditures were \$11,509,440 which was \$2,561,022 less than the original budget basis. This decrease is due mainly to a decrease in budgeting for regular instruction and instructional staff.

The General Fund unobligated balance as of June 30, 2012 was \$5,099,887. The Final certificate of estimated resources was \$1,520,652 higher than original. This was due to the receipt of an unanticipated payment in lieu of taxes, and underestimated tax receipts. The Final appropriations were \$2,561,022 less than the original appropriations. This was largely due to decreased appropriations for regular instruction and instructional staff from which were overestimated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At the end of fiscal year 2012, the School District had \$10,817,380 invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$11,092,618. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011.

Table 4  
 Capital Assets  
 (Net of Depreciation)

	Governmental Activities	
	2012	2011
<i>Nondepreciable Capital Assets:</i>		
Land	\$105,604	\$105,604
Construction in progress	669,439	-
<i>Depreciable Capital Assets:</i>		
Land Improvements	1,214,859	1,316,074
Buildings and Improvements	8,341,458	8,662,403
Furniture, Fixtures and Equipment	298,831	247,293
Vehicles	187,189	244,187
Totals	\$10,817,380	\$10,575,561

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, 2012, the School District had \$4,492,698 in general obligation debt outstanding with \$312,698 due within one year. Table 5 summarizes bonds outstanding for fiscal year 2012 compared to fiscal year 2011.

Table 5		
Outstanding Debt, Governmental Activities at Year End		
Purpose	2012	2011
General Obligation Bonds	\$ 4,492,698	\$ 4,749,488

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, 2012*  
*Unaudited*

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**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 Brian Ramsay, Treasurer, Westfall Local School Board of Education, 19463 Pherson Pike, Williamsport, Ohio 43164.

**Westfall Local School District**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,083,559
Property Taxes Receivable	6,936,849
Accounts Receivable	153,208
Intergovernmental Receivable	175,463
Deferred Charges	78,260
Nondepreciable Capital Assets	775,043
Depreciable Capital Assets, Net	10,042,337
<i>Total Assets</i>	27,244,719
<b>Liabilities</b>	
Accounts Payable	103,272
Contracts Payable	633,465
Accrued Wages and Benefits Payable	1,040,266
Intergovernmental Payable	323,474
Accrued Interest Payable	14,824
Deferred Revenue	5,998,674
Claims Payable	716
Matured Compensated Absences Payable	69,079
Long-Term Liabilities:	
Due Within One Year	439,667
Due In More Than One Year	5,598,746
<i>Total Liabilities</i>	14,222,183
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	5,750,786
Restricted for:	
Capital Outlay	1,098,845
Debt Service	882,144
Fiscal Stabilization	240,279
Classroom Facilities and Maintenance	480,193
Other Purposes	244,209
Unrestricted	4,326,080
<i>Total Net Assets</i>	\$ 13,022,536

See accompanying notes to the basic financial statements

**Westfall Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities</b>				
<i>Instruction:</i>				
Regular	\$ 6,967,821	\$ 340,517	\$ 33,692	\$ (6,593,612)
Special	1,958,074	61,576	506,110	(1,390,388)
Vocational	29,238	1,611	-	(27,627)
Other	40,621	-	24,461	(16,160)
<i>Support Services:</i>				
Pupils	211,221	11,095	4,418	(195,708)
Instructional Staff	762,208	15,330	281,902	(464,976)
Board of Education	259,500	14,298	5,239	(239,963)
Administration	1,397,055	76,839	1,411	(1,318,805)
Fiscal	429,057	22,172	-	(406,885)
Business	62,104	-	-	(62,104)
Operation and Maintenance of Plant	1,227,118	55,328	53,962	(1,117,828)
Pupil Transportation	1,122,129	58,510	14,287	(1,049,332)
Central	336,532	14,741	41,545	(280,246)
<i>Operation of Non-Instructional Services:</i>				
Food Service	647,004	251,908	376,245	(18,851)
Extracurricular Activities	374,881	142,315	124,926	(107,640)
Interest and Fiscal Charges	256,361	-	-	(256,361)
<b>Totals</b>	<u>\$ 16,080,924</u>	<u>\$ 1,066,240</u>	<u>\$ 1,468,198</u>	<u>(13,546,486)</u>
<b>General Revenues</b>				
Property Taxes Levied for:				
				4,006,805
				92,230
				532,087
				558,267
Grants and Entitlements not Restricted to Specific Programs				
				8,291,132
Gifts and Donations not Restricted to Specific Programs				
				1,720
Payments in Lieu of Taxes				
				507,166
Investment Earnings				
				44,120
Miscellaneous				
				246,071
<i>Total General Revenues</i>				<u>14,279,598</u>
<i>Change in Net Assets</i>				733,112
<i>Net Assets Beginning of Year</i>				<u>12,289,424</u>
<i>Net Assets End of Year</i>				<u>\$ 13,022,536</u>

See accompanying notes to the basic financial statements

**Westfall Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,262,495	\$ 1,693,547	\$ 2,113,497	\$ 9,069,539
Property Taxes Receivable	5,482,510	776,057	678,282	6,936,849
Accounts Receivable	153,208	-	-	153,208
Intergovernmental Receivable	-	-	175,463	175,463
Interfund Receivable	256,532	-	-	256,532
<i>Total Assets</i>	<u>\$ 11,154,745</u>	<u>\$ 2,469,604</u>	<u>\$ 2,967,242</u>	<u>\$ 16,591,591</u>
<b>Liabilities</b>				
Accounts Payable	\$ 19,140	\$ 65,822	\$ 18,310	\$ 103,272
Accrued Wages and Benefits Payable	875,209	-	165,057	1,040,266
Intergovernmental Payable	257,497	-	65,977	323,474
Contracts Payable	-	633,465	-	633,465
Interfund Payable	-	-	256,532	256,532
Deferred Revenue	5,255,550	724,994	808,281	6,788,825
Matured Compensated Absences Payable	69,079	-	-	69,079
<i>Total Liabilities</i>	<u>6,476,475</u>	<u>1,424,281</u>	<u>1,314,157</u>	<u>9,214,913</u>
<b>Fund Balances</b>				
Restricted	-	1,045,323	1,767,299	2,812,622
Assigned	190,940	-	-	190,940
Unassigned	4,487,330	-	(114,214)	4,373,116
<i>Total Fund Balances</i>	<u>4,678,270</u>	<u>1,045,323</u>	<u>1,653,085</u>	<u>7,376,678</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,154,745</u>	<u>\$ 2,469,604</u>	<u>\$ 2,967,242</u>	<u>\$ 16,591,591</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, 2012*

<b>Total Governmental Fund Balances</b>		\$ 7,376,678
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.		10,817,380
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	480,120	
Intergovernmental	175,463	
Accounts	134,568	
Total	790,151	790,151
Unamortized issuance costs represent deferred charges which do not provide current financial resources and are therefore not reported in the funds.		78,260
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Refunding Bonds	(4,492,698)	
Premium on Refunding Bonds	(403,235)	
Accrued Interest	(14,824)	
Capital Leases	(396,001)	
Compensated Absences	(746,479)	
Total	(6,053,237)	(6,053,237)
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.		13,304
<b>Net Assets of Governmental Activities</b>		<b>\$ 13,022,536</b>

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, 2012*

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 3,824,006	\$ 533,560	\$ 605,673	\$ 4,963,239
Intergovernmental	8,144,330	73,247	1,878,594	10,096,171
Interest	44,120	-	-	44,120
Tuition and Fees	529,602	-	-	529,602
Rent	150,827	-	-	150,827
Gifts and Donations	1,720	-	13,516	15,236
Extracurricular Activities	-	-	133,924	133,924
Charges for Services	-	-	251,887	251,887
Payments in Lieu of Taxes	507,166	-	-	507,166
Miscellaneous	250,000	-	3,413	253,413
<i>Total Revenues</i>	<u>13,451,771</u>	<u>606,807</u>	<u>2,887,007</u>	<u>16,945,585</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,207,427	258,117	55,951	6,521,495
Special	1,107,631	-	843,025	1,950,656
Vocational	29,238	-	-	29,238
Other	-	-	40,621	40,621
Support Services:				
Pupils	201,380	-	7,336	208,716
Instructional Staff	281,108	9,085	460,591	750,784
Board of Education	259,500	-	-	259,500
Administration	1,401,906	5,529	3,976	1,411,411
Fiscal	396,616	21,861	4,785	423,262
Business	-	62,104	-	62,104
Operation and Maintenance of Plant	1,003,284	64,647	89,611	1,157,542
Pupil Transportation	1,054,674	-	934	1,055,608
Central	261,404	-	67,453	328,857
Operation of Non-Instructional Services	375	20,194	622,243	642,812
Extracurricular Activities	152,292	-	207,458	359,750
Capital Outlay	-	851,220	-	851,220
Debt Service:				
Principal	-	-	365,000	365,000
Interest and Fiscal Charges	-	-	197,695	197,695
<i>Total Expenditures</i>	<u>12,356,835</u>	<u>1,292,757</u>	<u>2,966,679</u>	<u>16,616,271</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,094,936</u>	<u>(685,950)</u>	<u>(79,672)</u>	<u>329,314</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	333,174	-	333,174
Transfers Out	(18,104)	-	(333,174)	(351,278)
<i>Total Other Financing Sources (Uses)</i>	<u>(18,104)</u>	<u>333,174</u>	<u>(333,174)</u>	<u>(18,104)</u>
<i>Net Change in Fund Balances</i>	1,076,832	(352,776)	(412,846)	311,210
<i>Fund Balances Beginning of Year</i>	<u>3,601,438</u>	<u>1,398,099</u>	<u>2,065,931</u>	<u>7,065,468</u>
<i>Fund Balances End of Year</i>	<u>\$ 4,678,270</u>	<u>\$ 1,045,323</u>	<u>\$ 1,653,085</u>	<u>\$ 7,376,678</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, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 311,210

Amounts reported for governmental activities in the statement of activities are different because:

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 depreciation was exceeded by capital asset additions in the current period.

Capital Asset Additions	851,220	
Current Year Depreciation	<u>(609,401)</u>	
Total		241,819

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:

Property Taxes	226,150	
Intergovernmental	(350,357)	
Miscellaneous	<u>(7,342)</u>	
Total		(131,549)

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. 365,000

Interest expense in the statement of activities differ from the amount reported in governmental funds for several reasons. The amortization of the advance refunding premium, and accretion recognized on capital appreciation bonds.

Amortized Premium	36,657	
Accretion	<u>(88,210)</u>	
Total		(51,553)

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. (7,114)

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:  
Compensated Absences (6,695)

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.

11,994

**Net Change in Net Assets of Governmental Activities** \$ 733,112

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, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original Budget</u>	<u>Final Budget</u>		Final Budget: Positive (Negative)
Total Revenues and Other Sources	\$ 12,673,590	\$ 14,194,242	\$ 14,562,551	\$ 368,309
Total Expenditures and Other Uses	<u>14,070,462</u>	<u>11,509,440</u>	<u>12,613,348</u>	<u>(1,103,908)</u>
Net Change in Fund Balance	(1,396,872)	2,684,802	1,949,203	(735,599)
Fund Balance, July 1, 2011	3,015,075	3,015,075	3,015,075	-
Prior Year Encumbrances Appropriated	<u>135,609</u>	<u>135,609</u>	<u>135,609</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ 1,753,812</u>	<u>\$ 5,835,486</u>	<u>\$ 5,099,887</u>	<u>\$ (735,599)</u>

See accompanying notes to the basic financial statements

**Westfall Local School District**  
*Statement of Net Assets*  
*Governmental Activities - Internal Service Fund*  
*June 30, 2012*

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**Assets**

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$ 14,020</u>
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<i>Total Assets</i>	<u><u>\$ 14,020</u></u>
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**Liabilities**

Current Liabilities:

Claims Payable	<u>716</u>
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<i>Total Liabilities</i>	<u>716</u>
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**Net Assets**

Unrestricted	<u><u>\$ 13,304</u></u>
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See accompanying notes to the basic financial statements

**Westfall Local School District**  
*Statement of Revenues, Expenses and  
Changes in Net Assets*  
*Governmental Activities - Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2012*

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<b>Operating Expenses</b>	
Claims Expense	<u>\$          6,110</u>
<i>Total Operating Expenses</i>	<u>                  6,110</u>
<i>Loss before Transfers</i>	(6,110)
Transfers In	<u>                 18,104</u>
<i>Change in Net Assets</i>	11,994
<i>Net Assets at Beginning of Year</i>	<u>                  1,310</u>
<i>Net Assets at End of Year</i>	<u><u>                 13,304</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, 2012*

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<b><i>Increase in Cash and Cash Equivalents</i></b>	
<i>Cash Flows from Operating Activities:</i>	
Cash Payments for Claims	\$ (9,771)
	<u>(9,771)</u>
<i>Net Cash Used for Operating Activities</i>	
	<u>(9,771)</u>
<i>Cash Flows from Non Capital Financing Activities:</i>	
Transfers In	18,104
	<u>18,104</u>
<i>Net Cash Provided by Non Capital Financing Activities</i>	
	<u>18,104</u>
<i>Net Increase in Cash and Cash Equivalents</i>	
	8,333
<i>Cash and Cash Equivalents at Beginning of Year</i>	
	<u>5,687</u>
<i>Cash and Cash Equivalents at End of Year</i>	
	<u><u>\$ 14,020</u></u>
 <b><i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i></b>	
Operating Loss	\$ (6,110)
 <b><i>Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:</i></b>	
<i>Decrease in Liabilities:</i>	
Claims Payable	<u>(3,661)</u>
Total Adjustments	<u>(3,661)</u>
<i>Net Cash Used for Operating Activities</i>	
	<u><u>\$ (9,771)</u></u>

See accompanying notes to the basic financial statements

**Westfall Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

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	<u>Agency Funds</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>37,656</u>
<i>Total Assets</i>	<u>\$ 37,656</u>
<b>Liabilities</b>	
Current Liabilities:	
Due to Students	\$ <u>37,656</u>
<i>Total Liabilities</i>	<u>\$ 37,656</u>

See accompanying notes to the basic financial statements

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**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 62 non-certificated employees, and 113 certified employees who provide services to 1,620 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, 2012*

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**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, 2012*

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**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 and debt service of the School District whose use is restricted to a particular purpose.

**Proprietary Fund**

The proprietary fund focus is on the determination of the change in net assets, financial position and cash flows and is classified as internal service. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The only internal service fund of the School District accounts for a self-insurance program which provided dental benefits to employees. The primary source of revenue was charges to the various funds of the School District. See Note 9 for additional information regarding activity in this fund.

**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, 2012*

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**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, 2012, but which were levied to finance fiscal year 2013 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, 2012*

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**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 2012, 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, 2012.

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 2012 amounted to \$44,120.

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. 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, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**G. 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.

**H. 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, 2012*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. 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.

**J. 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 \$2,945,670 in restricted net assets, none of which is restricted by enabling legislation.

**K. 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, 2012*

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**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.

**L. 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.

**M. 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.

**N. 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.

**O. 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 2012.

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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, 2012:

	<u>Amount</u>
<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$18,622
Resident Educator	2,689
Student Intervention	428
Education Jobs	54,494
Drug Free School Grant	1,930
Title V	2,503
Improving Teacher Quality	33,548

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, 2012*

**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	\$1,076,832
<i>Adjustments:</i>	
Revenue Accruals	1,187,752
Expenditure Accruals	(224,105)
Encumbrances	(99,603)
Prospective Difference: Activity of Funds Reclassified for GAAP Reporting Purposes	8,327
Budget Basis	\$1,949,203

**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, 2012*

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**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, 2012

**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, 2012, the School District’s bank balance of \$8,320,791 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, 2012, the School District had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
STAROhio	\$1,102,838	\$1,102,838
Total	\$1,102,838	\$1,102,838

**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.

**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.

**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, 2012*

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**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 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected in 2012 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 2012 (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 2012 were levied after April 1, 2011, on the value as of December 31, 2011. 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, 2012 are available to finance fiscal year 2012 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 2012 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2012. 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, 2012 was \$458,055 and is recognized as revenue. Of this total amount, \$361,528 was available to the General Fund, \$45,464 was available to the Bond Retirement Fund, and \$51,063 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, 2012

**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 202,366,270	77.90%	\$ 202,505,570	76.50%
Public Utility Personal	57,408,620	22.10%	62,219,900	23.50%
Total Assessed Value	<u>\$ 259,774,890</u>	<u>100.00%</u>	<u>\$ 264,725,470</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.85		\$ 34.85	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2012 consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<i>Nonmajor Special Revenue Funds:</i>	
Title I	\$ 88,583
Title II-A	51,454
Title II-D	1,742
Early Childhood Education	914
Education Jobs	32,770
Total Nonmajor Special Revenue Funds	<u>175,463</u>
Total Intergovernmental Receivable	<u>\$ 175,463</u>

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	Ending Balance 06/30/11	Additions	Deletions	Ending Balance 06/30/12
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 105,604	\$ -	\$ -	\$ 105,604
Construction in Progress	-	669,439	-	669,439
Total Capital Assets, Not Being Depreciated	<u>105,604</u>	<u>669,439</u>	<u>-</u>	<u>775,043</u>
Capital Assets Being Depreciated				
Land Improvements	2,505,389	-	-	2,505,389
Buildings and Improvements	15,251,980	94,157	-	15,346,137
Furniture, Fixtures and Equipment	639,906	87,624	-	727,530
Vehicles	1,663,600	-	-	1,663,600
Library Books and Text Books	892,299	-	-	892,299
Total Capital Assets, Being Depreciated	<u>20,953,174</u>	<u>181,781</u>	<u>-</u>	<u>21,134,955</u>
Less Accumulated Depreciation:				
Land Improvements	(1,189,315)	(101,215)	-	(1,290,530)
Buildings and Improvements	(6,589,577)	(415,102)	-	(7,004,679)
Furniture, Fixtures and Equipment	(392,613)	(36,086)	-	(428,699)
Vehicles	(1,419,413)	(56,998)	-	(1,476,411)
Library Books and Text Books	(892,299)	-	-	(892,299)
Total Accumulated Depreciation	<u>(10,483,217)</u>	<u>(609,401)</u>	<u>-</u>	<u>(11,092,618)</u>
Total Capital Assets Being Depreciated, Net	<u>10,469,957</u>	<u>(427,620)</u>	<u>-</u>	<u>10,042,337</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,575,561</u>	<u>\$ 241,819</u>	<u>\$ -</u>	<u>\$ 10,817,380</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 467,292
Support Services:	
Pupils	2,505
Instructional Staff	6,740
Operation and Maintenance of Plant	49,984
Pupil Transportation	59,240
Operation of Non-Instructional Services	8,509
Extracurricular Activities	15,131
Total Depreciation Expense	<u>\$ 609,401</u>

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 2012, 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 (\$1,000)	\$ 46,817,988
Musical Instruments (\$1,000 deductible)	100,000
Automobile Liability (\$1,000 deductible)	1,000,000
General Liability:	
Per Occurrence (\$0 deductible)	1,000,000
Aggregate Limit	2,000,000
Public Officials Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	20,000

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 2012, 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.

In prior years and for a portion of fiscal year 2012, Professional Risk Management, Inc., a third party administrator, serviced 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 and transfer paid into the Internal Service Fund were used for run out claims and administrative costs for the dental program. The claims payable amount reported in the Internal Service Fund represents the final fun out claims outstanding at year end.

During fiscal year 2012, the School District began offering dental benefits through the Pickaway County Public Employees Benefits Program which is not a self insured program.

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**NOTE 9 – RISK MANAGEMENT (Continued)**

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>
2011	\$ 4,535	\$ 148,444	\$ 148,602	\$ 4,377
2012	4,377	6,110	9,771	716

**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](http://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 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 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, 2012, 2011 and 2010 were \$229,691, \$198,616, and \$286,108, respectively; 61 percent of the required contribution has been made for fiscal year 2012 and 100 percent of the required contribution has been made for fiscal years 2011 and 2010. \$90,012 represents the unpaid contribution for fiscal year 2012 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, 2012*

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**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, 2012*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal years ended June 30, 2012, 2011, and 2010, 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, 2012, 2011, and 2010 were \$805,287, \$741,466, and \$747,576, respectively; 83 percent of the required contribution has been made for fiscal year 2012 and 100 percent of the required contribution has been made for fiscal years 2011 and 2010. \$137,752 represents the unpaid contribution for fiscal year 2012 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](http://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, 2012, none 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](http://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, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$61,129, \$56,299, and \$59,679 for fiscal years 2012, 2011, and 2010, 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 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, 2012*

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**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 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the School District, contributions for the years ended June 30, 2012, 2011, and 2010, were \$14,490, \$15,443, and \$15,350, 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 2012, 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, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$34,895, \$51,349 and \$39,957, 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 on SERS' website at [www.ohsers.org](http://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, 2012

**NOTE 12 – EMPLOYEE BENEFITS (Continued)**

**Health, Prescription Drug and Dental Insurance**

The School District provides health care and dental benefits through the Pickaway County Public Employees Benefits Program.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 06/30/11	Additions	Deductions	Principal Outstanding 06/30/12	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 Accretion	193,321 376,167	- 88,210	105,963 239,037	87,358 225,340	87,358 225,340
Total Long-Term Bonds	4,749,488	88,210	345,000	4,492,698	312,698
Premium on Refunding Bonds	439,892	-	36,657	403,235	-
Capital Leases	416,001	-	20,000	396,001	21,000
Compensated Absences	739,784	908,818	902,123	746,479	105,969
Total Long-Term Obligations	<u>\$ 6,345,165</u>	<u>\$ 997,028</u>	<u>\$ 1,303,780</u>	<u>\$ 6,038,413</u>	<u>\$ 439,667</u>

*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 are being retired from the Bond Retirement Fund.

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**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. Two of the capital appreciation bonds matured in fiscal years 2011 and 2012 and the last one matures in 2013. The maturity amount of the final bond is \$345,000.

The capital leases are being paid from the General Fund. Compensated absences are being 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, 2012, are as follows:

Fiscal Year Ending June 30	2005 Serial Bonds Principal	2005 Serial Bonds Interest	2005 Capital Appreciation*
2013	-	177,900	345,000
2014	340,000	177,900	-
2015	355,000	160,900	-
2016	375,000	143,150	-
2017	395,000	124,400	-
2018-2022	2,220,000	372,400	-
2023	495,000	19,800	-
	<u>\$ 4,180,000</u>	<u>\$ 1,176,450</u>	<u>\$ 345,000</u>

\*Total maturity amounts per these amortization schedules do not agree with the balances in the schedule on page 42 because these amounts disclose fully accreted maturity balances whereas page 42 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, 2012, are voted debt margin of \$20,591,931 and an unvoted debt margin of \$264,725.

**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 2012 were \$20,000 in the governmental funds.

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**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, 2012 are as follows:

Year Ended December 31,	Capital Lease Payments
2013	39,080
2014	39,072
2015	39,017
2016	38,915
2017	38,765
2018-2022	191,857
2023-2026	152,438
Total Future Minimum Lease Payments	539,144
Less: Amount Representing Interest	(143,143)
Present Value of Net Minimum Lease Payments	\$ 396,001

**NOTE 15 – INTERFUND ACTIVITY**

As of June 30, 2012, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 256,532	\$ -
<i>Nonmajor Special Revenue Funds:</i>		
Food Service	-	210,000
District Managed Activities	-	10,000
Title VI-IDEA Part B	-	3,700
Resident Educator Program	-	2,689
Title V	-	2,500
Drug Free School Grant	-	2,000
Title II-A	-	25,643
Total Nonmajor Special Revenue Funds	-	256,532
Total	\$ 256,532	\$ 256,532

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 2013.

During fiscal year ended June 30, 2012, the School District’s interfund transfers were as follows:

Fund	Transfers To	Transfers From
General Fund	\$ -	\$ 18,104
Permanent Improvement Fund	333,174	-
<i>Nonmajor Fund:</i>		
Classroom Facilities Maintenance Fund	-	333,174
Total Nonmajor Fund	-	333,174
Internal Service Fund	18,104	-
Total	\$ 351,278	\$ 351,278

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**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 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 capital acquisition. Disclosure of this information is required by State statute.

	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2011	\$ -
Current Year Set-Aside Requirement	275,587
Current Year Offsets	(784,354)
Current Year Qualifying Disbursements	(399,489)
Totals	(908,256)
Set-Aside Reserve Balance as of June 30, 2012	\$ -

Effective July 1, 2011, the textbook reserve requirement was eliminated; therefore, no balance or other information is presented.

**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 \$91,645 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, 2012*

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**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 Nick Roberts, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

**NOTE 19 – CONTINGENCIES**

**Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 are 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. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**Litigation**

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

**Westfall Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2012

**NOTE 20 – 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
<b>Restricted for</b>				
Fiscal Stabilization	\$0	\$0	\$250,518	\$250,518
Other Purposes	0	0	104,324	104,324
Lunchroom	0	0	82,950	82,950
Classroom Facilities	0	0	480,193	480,193
Capital Improvements	0	1,045,323	0	1,045,323
Debt Services Payments	0	0	849,314	849,314
Total Restricted	<u>0</u>	<u>1,045,323</u>	<u>1,767,299</u>	<u>2,812,622</u>
<b>Assigned to</b>				
Other Purposes	<u>190,940</u>	<u>0</u>	<u>0</u>	<u>190,940</u>
<b>Unassigned (Deficit)</b>	<u>4,487,330</u>	<u>0</u>	<u>(114,214)</u>	<u>4,373,116</u>
Total Fund Balances	<u>\$4,678,270</u>	<u>\$1,045,323</u>	<u>\$1,653,085</u>	<u>\$7,376,678</u>

**NOTE 21 – SUBSEQUENT EVENTS**

*South Central Ohio Computer Association Council of Governments* – Effective July 1, 2012, the School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association (SCOCA). SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence 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.

*Transfers/Advances* - On January 28, 2013, the Board of Education authorized the conversion of \$228,000 of outstanding interfund advances to transfers:

Lunchroom Fund	\$210,000
District Managed Activities	10,000
IDEA Part B	3,500
Title V	2,500
Drug Free School Grant	2,000

WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2012	10.553	\$ 7,357	\$ 7,357
National School Lunch Program	2012	10.555	26,030	26,030
Cash Assistance:				
School Breakfast Program	2012	10.553	88,861	88,861
National School Lunch Program	2012	10.555	314,363	314,363
<i>Total Child Nutrition Cluster</i>			<u>436,611</u>	<u>436,611</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b><u>436,611</u></b>	<b><u>436,611</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<u>Title I Cluster:</u>				
Title I Grants to Local Educational Agencies	2011	84.010	97,652	79,065
Title I Grants to Local Educational Agencies	2012	84.010	405,957	321,797
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	57,940	88,152
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	2,540	2,651
			<u>564,089</u>	<u>491,665</u>
<u>Special Education Cluster:</u>				
Special Education Grants to States	2012	84.027	338,880	317,232
Special Education Grants to States - ARRA	2012	84.391	146,219	98,208
Special Education - Preschool Grants	2011	84.173	700	1,016
Special Education - Preschool Grants	2012	84.173	7,409	1,525
Special Education - Preschool Grants - ARRA	2012	84.392	7,630	10,567
<i>Total Special Education Cluster</i>			<u>500,838</u>	<u>428,548</u>
Safe and Drug Free Schools	2011	84.186	70	0
ARRA - State Fiscal Stabilization Grant	2011	84.394	0	18,606
ARRA - Race to the Top Incentive Grants	2012	84.395	2,800	5,489
Education Technology State Grants	2010	84.318	0	2,845
Education Technology State Grants - SSDT FY11	2011	84.318	0	2,000
Education Technology State Grants	2011	84.318	243	0
Education Technology State Grants	2012	84.318	2,138	1,750
<i>Total Education Technology State Grants</i>			<u>2,381</u>	<u>6,595</u>
Improving Teacher Quality State Grants	2011	84.367	15,556	7,451
Improving Teacher Quality State Grants	2012	84.367	66,981	108,469
			<u>82,537</u>	<u>115,920</u>
Education Jobs Fund	2012	84.410	357,221	352,034
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>1,509,936</u></b>	<b><u>1,418,857</u></b>
<b>TOTALS</b>			<b><u>\$ 1,946,547</u></b>	<b><u>\$ 1,855,468</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2013.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control. We consider finding 2012-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2012-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2013.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

March 11, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the 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 the District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings and questioned costs 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in findings 2012-003 through 2012-006 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs, Cash Management, and Reporting applicable to its Special Education Cluster major federal program. Additionally, as described in findings 2012-006 and 2012-007 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Reporting and Period of Availability applicable to its Education Jobs Fund major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2012.

The results of our auditing procedures also disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2012-008 and 2012-009.

### **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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-003 through 2012-008 to be material weaknesses.

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

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



**Dave Yost**  
Auditor of State

March 11, 2013

WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	<p>Qualified:</p> <ul style="list-style-type: none"> <li>• ARRA/Special Education Cluster</li> <li>• Education Jobs Grant</li> </ul> <p>Unqualified:</p> <ul style="list-style-type: none"> <li>• Nutrition Cluster</li> </ul>
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>ARRA/Special Education Cluster (CFDA #84.027, 84.173, 84.391, 84.392)</p> <p>Education Jobs Grant (CFDA #84.810)</p> <p>Nutrition Cluster (CFDA #10.553, 10.555)</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	<p>Type A: &gt; \$ 300,000</p> <p>Type B: all others</p>
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

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

**FINDING NUMBER 2012-001**

**Payroll Account Reconciliation – Significant Deficiency**

Strong monitoring practices of District financial activities are the responsibility of management and Board of Education and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly for each bank account and reconciling items should be identified and adjusted at the time of reconciliation. Reconciliations should include all bank accounts and book balances. Ideally, management and the Board of Education should review the monthly bank to book reconciliations; evidence of these reviews, such as initials on the bank reconciliation, should be documented.

The District did not perform bank to book reconciliations for their payroll bank accounts. The bank balance is greater than the book balance by \$52,209. The District has included \$50,000 on the financial statements.

We recommend the District reconcile all bank accounts to the books on a timely basis. During this process all reconciling items should be identified, included on the face of the reconciliation, and researched in order to determine their source. All errors should be corrected on the District's ledgers or by contacting the bank, as applicable, following the completion of the reconciliation.

Additionally, as a monitoring control to ensure completion of the reconciliations we recommend the reconciliations be reviewed and approved by an individual with appropriate supervisory authority and perhaps by the Board of Education and that evidence of these reviews and approvals be documented.

**Officials' Response:**

The payroll account has been rectified by opening a new payroll account. The previous payroll account had not been reconciled for approximately six years. In order to reconcile the account from this point forward the previous account was closed and a new payroll account was opened. It is balanced on a monthly basis. The account was established on October 1, 2012. There are no unreconciled differences as of February 28, 2013.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-002**

**Budgetary Expenditures Exceed Appropriations – Material Non-Compliance**

Ohio Revised Code 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

Budgetary expenditures exceeded appropriations for the year ended June 30, 2012 at the fund level, legal level of budgetary control, was as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 11,509,440	\$ 12,613,348	\$ (1,103,908)

The lack of adequate appropriation authority being in place at the time of expenditures could have resulted in expenditures exceeding available resources; thus resulting in a negative fund balance.

We recommend the Treasurer deny the availability of funds and payment requests exceeding appropriations. The Treasurer may request the Board of Education to approve increased expenditure levels by increasing appropriations and amending corresponding estimated resources, if necessary.

**Officials' Response:**

In order to maintain accurate and available resources the following steps should be completed in sequential order.

1. Receive County Auditor's Certificate of Estimated Resources on or before 8/31;
2. Permanent Appropriations adopted on or before 9/30;
3. Five Year Forecast adopted on or before 10/31;
4. Amend Permanent Appropriations based on the Five Year Forecast;
5. Enter Amended Permanent Appropriations into the Computer (SCOCA) for Building Administrators and Department Heads for Budgeting Purposes;
6. Develop SM2 Spending Plan that balances to Appropriations, Building Budgets, and the Five Year Forecast;
7. Maintain and Monitor Monthly Variance Reports that balances to the Appropriations, Budgets, and five Year Forecast;
8. Annual Tax Budget that balances the five year forecast on or before January 15<sup>th</sup>;
9. Develop next year's budgets based on five year forecast;

The forecast becomes the long range plan of the district that balances to the certificate of estimated resources, appropriations, SM2 spending plan, tax budget, building budgets, and variance analysis. It is the long range plan. First you build your plan, then you spend according to your plan and then you monitor your plan. The District is closely monitoring its budgetary compliance to ensure this non-compliance does not occur again in the future.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Allowable Costs/Cost Principles – Semi-Annual Certifications/Time & Effort Logs  
Questioned Costs/Material Non-Compliance/Material Weakness**

<b>Finding Number</b>	2012-003
<b>CFDA Title and Number</b>	ARRA/Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

2 C.F.R. Part 225, Appendix B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. When employees work on multiple activities or cost objectives, a distribution of compensation shall be supported by personnel activity reports that reflect the actual activity and total activity of the employees, unless certain time study requirements are met. An employee whose compensation is allocated solely to a single cost objective must furnish semiannual certificates that he/she has been engaged solely in activities supportive of the cost objectives.

In fiscal year 2012, we noted three District employees whose salaries of \$167,323 were paid solely from the Special Education Cluster; however the District did not complete and maintain semi-annual certifications for these employees stating that they worked solely on the grant. Additional procedures for these three employees were performed to determine the \$167,323 related to their salaries were allowable; thus no question cost will be issued for this amount.

.Additionally, there were eight employees whose salaries were partially allocated to the Special Education Cluster totaling \$115,066, for which there were no time and efforts logs documenting their respective time working on grant activities. However, additional procedures to determine if these salary expenditures were allowable could not be performed. Therefore we are issuing \$115,066 in questioned cost.

We recommend the District maintain personnel activity reports that reflect the distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, and contain a certification signature of the grant coordinator and employee. These personnel activity reports should be completed semi-annually for employees who are paid solely from a single federal grant and/or cost objective; for employees who receive less than 100% of their compensation from a single federal grant cost objective, the District should maintain documentation that evidences an after-the-fact distribution of the actual activity of each employee; they must account for the total activity for which each employee is compensated; they must be prepared at least monthly and must coincide with one or more pay periods; and they must be signed by the employee.

We further recommend an effective system of reconciling the personnel activity reports with the actual payroll costs charged to each federal grant cost and cost objective to ensure the completeness and accuracy of charges made to each program by the grant coordinators.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Allowable Costs/Cost Principles – Semi-Annual Certifications/Time & Effort Logs  
Questioned Costs/Material Non-Compliance/Material Weakness (Continued)**

**Officials’ Response and Corrective Action Plan:**

Semi-Annual Certifications have been implemented for fiscal year 2013 beginning in January, 2013. Personnel activity reports, in the form of timesheets, are maintained with each payroll.

**Anticipated Completion Date:** January 1, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**Allowable Costs/Cost Principles – Payroll Expenditures  
Material Non-Compliance/Material Weakness/Questioned Costs**

<b>Finding Number</b>	2012-004
<b>CFDA Title and Number</b>	ARRA/Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

2 C.F.R. Part 225, Appendix A Section C3 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received. Further, 2 C.F.R. Part 225, Appendix A Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period.

The District paid the wages and fringe benefits of five employees whose job title or timesheet did not support the cost objective of the grant totaling \$12,472, and paid a substitute teacher who did not work on special education activities \$553.

The District may only use Special Education Cluster funding for employees or substitute personnel who are directly providing special education classroom and related services, such as development of individualized education programs (IEP).

Therefore, in addition to the questioned costs issued in Finding 2012-003, \$13,025 of the District’s \$428,548 Special Education Cluster expenditures are questioned.

We recommend the District establish procedures to ensure that all expenditure supporting documentation is provided and maintained to ensure that the entire expenditure is allowable cost per grant requirements. This could be accomplished by creating semi-annual certificates or time and effort logs for employees who work on the cost objectives of the grant. Periodic review of allowable activities should be reviewed and communicated between the District Treasurer and assigned grant coordinators.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Allowable Costs/Cost Principles – Payroll Expenditures  
Material Non-Compliance/Material Weakness/Questioned Costs (Continued)**

**Officials’ Response and Corrective Action Plan:**

All federal grants are now in compliance deducting the correct employees from the appropriate federal grants based on the grant requirements. Salaried employees are set up in the payroll system to be charged to the correct grant; supervisors approve timesheets for employees whose wages are partially charged to a grant.

**Anticipated Completion Date:** February 1, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**Cash Management  
Material Non-Compliance/Material Weakness**

<b>Finding Number</b>	2012-005
<b>CFDA Title and Number</b>	ARRA/Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

34 C.F.R. 80.21 (c) prescribes the basic standards and methods under which a federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors. 34 C.F.R. 80.21(c) provides in part, that grantees shall be paid in advance, provided they maintain or demonstrate a willingness to minimize the time elapsing between the transfer of funds and their disbursement by the grantee.

The Ohio Department of Education requires its subrecipients 30 days in which to expend each advance of federal funds.

During fiscal year 2012, the following District receipts were not expended within the required 30 day time limit:

Grant Year	Grant	Receipt Amount	Date Received	Date Fully Expended	# Days Until Fully Expended
2011	Special Education - ARRA	\$ 115,479.23	11/15/2011	*	*
2012	Special Education - Preschool	7,409.44	2/29/2012	9/18/2012	202
2012	Special Education	150,138.59	6/12/2012	7/20/2012	38

\*Note: At June 30, 2012 there was \$54,656 unexpended.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Cash Management  
Material Non-Compliance/Material Weakness (Continued)**

Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 USC 6501 *et seq.*), interest earned by local government grantees and subgrantees on advances is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses.

We recommend that the District fully expend federal grant receipts within thirty days of receipt. We also recommend the District consult with the Ohio Department of Education to determine whether the excess amount must be remitted to the U.S. Department of Education.

**Officials' Response and Corrective Action Plan:**

All federal grants are now being audited and amended by the Ohio Department of Education for future appropriate expenditures. The expenditures are being deducted from the appropriate accounts and funds.

**Anticipated Completion Date:** February 1, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**Reporting – Project Cash Requests & Final Expenditure Reports  
Material Non-Compliance/Material Weakness**

<b>Finding Number</b>	2012-006
<b>CFDA Title and Number</b>	ARRA/Special Education Cluster CFDA #84.027, 84.173, 84.391, 84.392  Education Jobs Grant CFDA #84.810
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Pursuant to Ohio Admin. Code Section 117-2-02 (A), all local public offices must maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements .

Consolidated Application Assurances item 5 provides, that LEA's will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties. Program funds are reported to the State of Ohio. ODE requires the LEA's to submit Project Cash Requests and Final Expenditure Reports.

WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Reporting – Project Cash Requests & Final Expenditure Reports  
Material Non-Compliance/Material Weakness (Continued)**

**Project Cash Requests:**

The Ohio Department of Education Office of Grants Management Project Cash Requests Instructions dated August 3, 2004 states all amounts reported on the project cash requests must reconcile to the District's accounting system used to prepare annual financial statements.

The Ohio Department of Education Office of Grants Management Final Expenditure Report Instructions dated June 25, 2004 states all amounts reported on the final expenditure report must reconcile to the District's accounting system used to prepare annual financial statements.

The expenditures reported on the District's Special Education Cluster Project Cash Requests (PCRs) did not reconcile to the accounting system for fiscal year 2012 for eight of the nine PCRs we examined; variances ranged between (\$55,393) and \$94,916.

Additionally, although the Education Jobs Grant had a twenty-four month grant period, the District maintained only one fund and special cost center to account for both years. This resulted in errors in reporting expenditures on the PCRs. Expenditures totaling \$10,797 made in July through September 2011 were reported on both the 2011 Final Expenditure Report and the 2012 PCRs, effectively reported as expenditures in both years.

**Final Expenditure Reports:**

The District completed the final expenditure report for the fiscal year 2012 Education Jobs Federal Grant, which was submitted and approved by the Ohio Department of Education Office of Grants Management. The amounts reported on the final expenditure report for salaries and fringe benefits did not agree to the District's accounting system. The actual amounts reported in the District's ledgers for salaries were \$201,244 and \$127,413 for fringe benefits; however the amounts shown on the final expenditure report were \$238,494 and \$143,291, respectfully. The difference in actual expenditures verses reported expenditures is \$53,128. As a result, we are reporting questioned costs of \$53,128.

**PICKAWAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 2012**  
**(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Reporting – Project Cash Requests & Final Expenditure Reports**  
**Material Non-Compliance/Material Weakness (Continued)**

We noted this appears to have been a pervasive condition. The following grants had Final Expenditure Reports completed and submitted to the Ohio Department of Education showing an ending balance of \$0; however these funds' actual respective fund balances at June 30, 2012 were as follows:

Year	Grant	Fund/SCC	Ending Fund Balances
2011	Special Education Part B IDEA	516/9011	\$ 12,368.39
2011	ARRA/Special Education Part B IDEA	516/932O	52,393.30
2011	Title I	572/9011	2,359.80
2010	ARRA/Title I	572/932N	6,744.17
2011	ARRA/Title I	572/932O	(34,152.23)
2011	Safe & Drug Free Schools	584/9011	71.48
2011	Early Childhood Special Education IDEA	587/9011	(1,337.88)
2010	ARRA/ECSE IDEA	587/932N	2,211.21
2011	ARRA/ECSE IDEA	587/932O	(2,936.58)
2011	Improving Teacher Quality	590/9011	15,844.78
2001	SSDT Grant	599/9001	(2,000.00)
2010	Title II-D	599/9010	9,371.70

We recommend the District ensure amounts reported on the final expenditure report agree to the District's financial ledgers from which the financial statements are prepared.

We also recommend the District establish separate funds and special cost centers for each grant/year and ensure amounts reported on the project cash requests agree to the District's financial ledgers.

**Officials' Response and Corrective Action Plan:**

All federal grant project cash requests are completed each month with the appropriate documentation submitted to verify expenditures. The BUDLED report is submitted along with each request to verify expenses to the Ohio Department of Education. These requests are made on a monthly basis and verified through the CCIP from Ohio Department of Education.

All federal grant reports are being audited and amended by the Ohio Department of Education for accurate accounting and compliance procedures. These reports will be submitted to the Ohio Department of Education before the September 30th filing deadlines. Expenses will be spent or encumbered before June 30th as per requirements. The FY12 reports were filed before September 30, 2012.

**Anticipated Completion Date:** February 1, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Period of Availability – Education Jobs Grant  
Questioned Costs/Material Non-Compliance/Material Weakness**

<b>Finding Number</b>	2012-007
<b>CFDA Title and Number</b>	Education Jobs Grant CFDA #84.810
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

34 C.F.R. 74.28 states that where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Secretary and according to Common Rule A-102, the entity shall liquidate all obligation incurred under the award not later than 90 days after the end of the funding period. The Office of Management and Budget 2012 OMB Circular A-133 Compliance Supplement, Part 4 defined the available period as August 10, 2010 through September 30, 2012 for the Education Jobs Grant. An LEA may not use these grant funds to compensate employees for any period prior to August 10, 2010 or to meet pension obligations incurred in prior school years.

The District settled litigation regarding a breach of contract for reducing salaries of non-teaching personnel. The settlement agreement required the District to adopt a new salary schedule as well as pay back an equivalent to eighty percent of each non-teaching employee's regular pay; back pay was required to be paid back in two equal installments, in December 2011 and July 2012. The first settlement payment totaled \$47,646 and was paid in December 2011, representing back wages owed during fiscal year 2010, which was prior to the period of availability for the Education Jobs Grant.

The District also continued to pay fringe benefits out of the grant fund after the end of the period of availability, in October and December 2012 in the amounts of \$5,631 and \$6,616 respectfully.

Accordingly, total questioned costs for expenditures that were obligated outside the period of availability are \$59,893.

We recommend the District use grant funds only for expenditures obligated during the period of availability. We further recommend the District implement procedures to ensure that costs charged to its grant awards only result from obligations incurred during the funding period and that they are liquidated by the liquidation date.

**Officials' Response and Corrective Action Plan:**

As a part of the federal grant audit by the Ohio Department of Education, the Education Jobs Grant is being revised and accurately accounted for beginning July 1, 2010 through June 30, 2012.

**Anticipated Completion Date:** June 30, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Eligibility – Child Nutrition Cluster Verification  
Material Non-Compliance/Material Weakness**

<b>Finding Number</b>	2012-008
<b>CFDA Title and Number</b>	Child Nutrition Cluster CFDA #10.553, 10.555
<b>Federal Award Number / Year</b>	2011/2012
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

7 C.F.R. 245.6a(a) provides, in part that to qualify a child for meals/milk served free or at reduced price under the program(s), the child's family must annually submit an application to the School Food Authority, in this case the District. The application must be approved and maintained on file. The application must establish that the child's family income and family size place him/her within income eligibility standards issued by the State agency in accordance with guidelines published by the Food and Nutrition Services (FNS) of the U.S. Department of Agriculture (USDA).

There were two instances where the eligibility determination was not in accordance with the guideline published by FNS. The first instance was due to inputting the incorrect information into the system, while the second instance was due to the system making an error in determination.

7 C.F.R. 245.6a also requires by November 15 of each school year, the District must verify the information presented on a sample of the applications that it has approved for free or reduced meals. The verification sample size is based on the number of approved applications on file as of October 1st.

The District was required to retain copies of the information reported for the verification for a minimum of three years.

Title I, Section 1115 of the Education and Secondary Education Act, (ESEA), (20 USC 6315), requires that Title I, Part A funds to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas.

The District used students' eligibility in the National School Lunch Program as a basis for determining eligibility for Title I services. However, the District did not perform the above-described verification procedures.

We recommend that the District implement a control to ensure that the information on the paper application is correctly entered into the system and the correct eligibility is determined. The District should perform the verification process required by the date.

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Eligibility – Child Nutrition Cluster Verification  
Material Non-Compliance/Material Weakness (Continued)**

**Officials’ Response and Corrective Action Plan:**

The EMIS Coordinator is now assuming these responsibilities beginning in fiscal year 2013 to accurately account and implement controls so that the information on the paper application is correctly entered into the system and the correct eligibility is determined.

**Anticipated Completion Date:** June 30, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**Filing of Single Audit  
Material Non-Compliance**

<b>Finding Number</b>	2012-009
<b>CFDA Title and Number</b>	<u>Special Education Cluster:</u> 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
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

OMB Circular A-133 § .320(a) requires the District to file its completed audit report with the Federal Audit Clearing House within the earlier of thirty days of receipt of the auditor’s report or nine months after the end of the audit period.

The District’s 2011 audit report was issued July 19, 2012 and its audit report was not filed with the Federal Audit Clearinghouse until August 23, 2012, after the required deadline.

WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012  
(Continued)

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Filing of Single Audit  
Material Non-Compliance (Continued)**

We recommend the District ensure its Single Audit report is timely filed, within the earlier of nine months after the end of the audit period or thirty days after receipt of the auditor's report.

**Officials' Response and Corrective Action Plan:**

The Federal Clearing House identification and password has been obtained and the sign off procedures for fiscal year 2012 has been complied with during this audit period.

**Anticipated Completion Date:** March 31, 2013  
**Responsible Contact:** Brian Ramsay, Treasurer

**WESTFALL LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	The District did not file a complete report within 150 days of year end	Yes	
2011-002	The District did not complete and submit the data collection form and reporting package within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.	No	Re-Issued as Finding 2012-011



# 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  
APRIL 4, 2013