

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Westfall Local School District, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 21, 2019

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**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Westfall Local School District
19463 Pherson Pike
Williamsport, Ohio 43164

To the Board of Education:

Report on the Financial Statements

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, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Westfall Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Westfall Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Westfall Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2018, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during fiscal year 2018, the adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, schedules of net pension and other postemployment benefit liabilities and pension and other postemployment benefit contributions, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary Information

Our audit was conducted to opine on the Westfall Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the Westfall Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Westfall Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)

The discussion and analysis of the Westfall Local School District's (School District) financial performance provides an overview and analysis of the School District's financial activities for the fiscal year ended June 30, 2018. 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 and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$9.9 million. This balance was comprised of a \$8.4 million net investment in capital assets, a \$3.2 million balance in net position restricted for specific purposes and a negative balance of \$1.7 million in unrestricted net position.
- In total, net position of governmental activities increased by \$8.3 million which represents a 538.3 percent increase from 2017.
- General revenues accounted for \$17.4 million or 88.1 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2.4 million or 11.9 percent of total revenues.
- The School District had \$11.5 million in expenses related governmental activities; \$2.4 million 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 \$17.4 million were adequate to provide for the remainder of these programs.

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.

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)

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 position 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, deferred outflows, liabilities, and deferred inflows 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.

The statement of net position presents information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position 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 position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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. The School District has no proprietary funds.

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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.

Fiduciary Funds. Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. 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. 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.

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WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Recall that the Statement of Net Position provides the perspective of the School District as a whole, showing all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, and the difference between them (net position). Table 1 provides a summary of the School District's net position for 2018 compared to fiscal year 2017.

Table 1
Net Position

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2018 | Restated 2017 |
| Assets | | |
| Current and Other Assets | \$ 29,986,824 | \$ 29,718,057 |
| Capital Assets, Net | 11,348,514 | 10,346,495 |
| Total Assets | <u>41,335,338</u> | <u>40,064,552</u> |
| Deferred Outflows of Resources | | |
| Pension | 5,299,967 | 4,668,285 |
| OPEB | 187,582 | 37,468 |
| Total Deferred Outflows of Resources | <u>5,487,549</u> | <u>4,705,753</u> |
| Liabilities | | |
| Current and Other Liabilities | 1,868,436 | 1,570,368 |
| Long-Term Liabilities: | | |
| Due Within One Year | 539,192 | 588,028 |
| Due in More Than One Year: | | |
| Net Pension Liability | 17,424,261 | 24,003,455 |
| Net OPEB Liability | 4,035,848 | 4,987,300 |
| Other Amounts Due in More Than One Year | 2,952,785 | 3,317,000 |
| Total Liabilities | <u>26,820,522</u> | <u>34,466,151</u> |
| Deferred Inflows of Resources | | |
| Property Taxes | 8,610,308 | 8,369,364 |
| Pension | 857,723 | 172,982 |
| OPEB | 482,110 | - |
| Deferred Amount on Refunding | 175,411 | 214,392 |
| Total Deferred Inflows of Resources | <u>10,125,552</u> | <u>8,756,738</u> |
| Net Position | | |
| Net Investment in Capital Assets | 8,423,316 | 6,949,507 |
| Restricted | 3,202,628 | 4,060,201 |
| Unrestricted | (1,749,131) | (9,462,292) |
| Total Net Position | <u>\$ 9,876,813</u> | <u>\$ 1,547,416</u> |

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2018 and is reported pursuant to GASB Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.*" For fiscal year 2018, the District adopted GASB Statement 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,*" which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should, accordingly, be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's financial statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the School District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$6.5 million to \$1.5 million.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Capital assets, net and net investment in capital assets both increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in capital assets related to paving during the fiscal year.

The School District's largest portion of net position 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 position is restricted. This portion of net position is subject to external restrictions on how it may be used.

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WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Table 2 shows the changes in net position for the fiscal year 2018 compared to fiscal year 2017.

Table 2
Change in Net Position

| | Governmental Activities | |
|---|-------------------------|---------------------|
| | 2018 | Restated 2017 |
| Revenues | | |
| Program Revenues | | |
| Charges for Services and Sales | \$ 1,190,114 | \$ 1,154,520 |
| Operating Grants and Contributions | 1,176,347 | 1,190,049 |
| Total Program Revenues | <u>2,366,461</u> | <u>2,344,569</u> |
| General Revenues | | |
| Property Taxes | 8,474,303 | 8,742,688 |
| Grants and Entitlements Not Restricted | 8,510,668 | 8,418,575 |
| Payment in Lieu of Taxes | 4,842 | 66,217 |
| Investment Earnings | 107,158 | 95,401 |
| Miscellaneous | 341,823 | 295,768 |
| Total General Revenues | <u>17,438,794</u> | <u>17,618,649</u> |
| Total Revenues | <u>19,805,255</u> | <u>19,963,218</u> |
| Program Expense | | |
| Instruction | 5,325,462 | 10,894,619 |
| Support Services | 5,237,990 | 6,587,035 |
| Operation of Non-Instructional Services | 554,394 | 666,022 |
| Extracurricular Activities | 329,093 | 537,253 |
| Interest and Fiscal Charges | 28,919 | 49,203 |
| Total Expenses | <u>11,475,858</u> | <u>18,734,132</u> |
| Change in Net Position | 8,329,397 | 1,229,086 |
| Net Position, Beginning of Year, Restated | 1,547,416 | N/A |
| Net Position, End of Year | <u>\$ 9,876,813</u> | <u>\$ 1,547,416</u> |

Grants and Entitlements increased slightly in comparison with the prior fiscal year. This increase is primarily the result of an increase in state assistance received during the fiscal year.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$37,468 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$572,281. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

| | |
|--|-------------------|
| Total 2018 operating expenses under GASB 75 | \$ 11,475,858 |
| Negative OPEB expense under GASB 75 | 572,281 |
| 2018 contractually required contribution | <u>47,175</u> |
| Adjusted 2018 operating expenses | 12,095,314 |
| Total 2017 operating expenses under GASB 45 | <u>18,734,132</u> |
| Decrease in operating expenses not related to OPEB | \$ (6,638,818) |

Total Expenses decreased significantly in comparison with the prior fiscal year. This decrease is primarily the result of a decrease in pension expense from \$2.0 million in fiscal year 2017 to negative \$5.3 million in fiscal year 2018. This decrease is primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

GOVERNMENTAL ACTIVITIES

The School District is heavily dependent on property taxes and intergovernmental revenue. Property taxes made up 42.8 percent and unrestricted intergovernmental revenue made up 43 percent of the total revenue for the governmental activities in fiscal year 2018.

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 fiscal year 2010, the reimbursement was phased out in fiscal year 2012. During fiscal year 2018, the School District received \$7.5 million through the State’s foundation program, which represents 37.9 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, 2018
(UNAUDITED)**

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2018. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2018 | | 2017 | |
| <i>Program Disbursements</i> | | | | |
| Instruction | \$ 5,325,462 | \$ 3,881,639 | \$ 10,894,619 | \$ 9,574,362 |
| Support Services | 5,237,990 | 5,208,551 | 6,587,035 | 6,558,016 |
| Non-Instructional Services | 554,394 | (41,168) | 666,022 | 153 |
| Extracurricular Activities | 329,093 | 31,456 | 537,253 | 207,829 |
| Interest and Fiscal Charges | 28,919 | 28,919 | 49,203 | 49,203 |
| Total | <u>\$ 11,475,858</u> | <u>\$ 9,109,397</u> | <u>\$ 18,734,132</u> | <u>\$ 16,389,563</u> |

THE SCHOOL DISTRICT’S 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 expenditures and other financing uses of \$20.3 million, exceeding revenues and other financing sources of \$19.9 million. Total governmental funds fund balance decreased by \$391,016.

The fund balance in the General Fund increased \$591,094 during the fiscal year. This increase is the result of management maintaining revenues and expenditures near prior year amounts.

The fund balance in the Bond Retirement Fund decreased \$25,102 during the fiscal year. This decrease represents the amount in which current year principal and interest payments exceeded property tax and related intergovernmental receipts.

The fund balance in the Permanent Improvement Fund decreased \$734,076 during the fiscal year. This decrease represents the amount in which permanent improvement expenditures exceeded current year property tax and related intergovernmental receipts.

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 fiscal year 2018, 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.

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 (UNAUDITED)

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

For the General Fund, final revenue budget was \$17.0 million, which was \$484,040 more than the original revenue budget. This increase was primarily due to property tax revenue and intergovernmental revenues.

For the General Fund, the final expenditure budget was \$16.4 million which was \$83,868 less than the original expenditure budget. This decrease is due to the School District being conservative at the beginning of the year for unknown costs. The General Fund unobligated balance as of June 30, 2018 was \$15.8 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year-end, the School District had \$11.3 million invested in capital assets, an increase of \$1.0 million in comparison with the prior fiscal year. This increase represents the amount in which current year capital outlays (\$2.0 million) exceeded depreciation (\$849,640) and disposals (\$183,137). More detailed information regarding the School District's capital assets can be found in Note 7 to the basic financial statements.

Debt Administration

At June 30, 2018, the School District had \$2.3 million in general obligation debt outstanding, a decrease of \$432,060 in comparison with the prior fiscal year. This decrease represents the amount of current year debt service (\$405,000) and amortization of bond premiums (\$27,060). More detailed information regarding the School District's long-term obligations can be found in Note 9 to the basic financial statements.

CURRENT ISSUES

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.

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.

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
PICKAWAY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Pooled Cash and Cash Equivalents | \$ 20,463,440 |
| Receivables: | |
| Property Taxes | 9,020,919 |
| Intergovernmental | 212,129 |
| Accounts | 167,682 |
| Prepaid Items | 122,654 |
| Nondepreciable Capital Assets | 105,604 |
| Depreciable Capital Assets, Net | 11,242,910 |
| Total Assets | 41,335,338 |
| Deferred Outflows of Resources | |
| Pension | 5,299,967 |
| OPEB | 187,582 |
| Total Deferred Outflows of Resources | 5,487,549 |
| Liabilities | |
| Accounts Payable | 394,327 |
| Accrued Wages and Benefits Payable | 1,245,256 |
| Intergovernmental Payable | 223,315 |
| Accrued Interest Payable | 5,538 |
| Long-Term Liabilities | |
| Due Within One Year | 539,192 |
| Due in More Than One Year: | |
| Net Pension Liability | 17,424,261 |
| Net OPEB Liability | 4,035,848 |
| Other Amounts Due in More Than One Year | 2,952,785 |
| Total Liabilities | 26,820,522 |
| Deferred Inflows of Resources | |
| Property Taxes | 8,610,308 |
| Pension | 857,723 |
| OPEB | 482,110 |
| Deferred Amount on Refunding | 175,411 |
| Total Deferred Inflows of Resources | 10,125,552 |
| Net Position | |
| Net Investment in Capital Assets | 8,423,316 |
| Restricted for: | |
| Capital Outlay | 103,725 |
| Debt Service | 2,469,960 |
| Classroom Facilities and Maintenance | 435,663 |
| Food Services | 111,993 |
| District Managed Student Activities | 54,289 |
| Other Purposes | 26,998 |
| Unrestricted | (1,749,131) |
| Total Net Position | \$ 9,876,813 |

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|-------------------------|---------------------------------------|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction: | | | | |
| Regular | \$ 2,795,506 | \$ 405,764 | \$ 25,978 | \$ (2,363,764) |
| Special | 1,664,344 | 211,572 | 705,564 | (747,208) |
| Vocational | 21,895 | 1,644 | - | (20,251) |
| Other | 843,717 | 56,444 | 36,857 | (750,416) |
| Support services: | | | | |
| Pupils | 143,813 | - | - | (143,813) |
| Instructional Staff | 1,108,466 | - | - | (1,108,466) |
| Board of Education | 82,426 | - | - | (82,426) |
| Administration | 600,823 | - | - | (600,823) |
| Fiscal | 535,425 | - | 228 | (535,197) |
| Operation and Maintenance of Plant | 1,448,650 | - | 29,211 | (1,419,439) |
| Pupil Transportation | 1,159,428 | - | - | (1,159,428) |
| Central | 158,959 | - | - | (158,959) |
| Non-Instructional Services | 554,394 | 247,353 | 348,209 | 41,168 |
| Extracurricular Activities | 329,093 | 267,337 | 30,300 | (31,456) |
| Interest and Fiscal Charges | 28,919 | - | - | (28,919) |
| Total Governmental Activities | \$ 11,475,858 | \$ 1,190,114 | \$ 1,176,347 | (9,109,397) |
| General Revenues | | | | |
| Property Taxes Levied for: | | | | |
| | | | | 7,095,479 |
| | | | | 447,255 |
| | | | | 824,192 |
| | | | | 107,377 |
| | | | | 4,842 |
| | | | | 8,510,668 |
| | | | | 107,158 |
| | | | | 341,823 |
| | | | | 17,438,794 |
| Change in Net Position | | | | 8,329,397 |
| Net Position - Beginning of Year, Restated | | | | 1,547,416 |
| Net Position - End of Year | | | | \$ 9,876,813 |

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------------|----------------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Pooled Cash and Cash Equivalents | \$ 16,893,914 | \$ 2,453,504 | \$ 326,203 | \$ 789,819 | \$ 20,463,440 |
| Receivables: | | | | | |
| Property Taxes | 7,544,672 | 489,489 | 873,075 | 113,683 | 9,020,919 |
| Intergovernmental | - | - | - | 212,129 | 212,129 |
| Accounts | 167,682 | - | - | - | 167,682 |
| Interfund | 191,500 | - | - | - | 191,500 |
| Prepaid Items | 122,654 | - | - | - | 122,654 |
| Total Assets | <u>\$ 24,920,422</u> | <u>\$ 2,942,993</u> | <u>\$ 1,199,278</u> | <u>\$ 1,115,631</u> | <u>\$ 30,178,324</u> |
| Liabilities: | | | | | |
| Accounts Payable | \$ 76,317 | \$ - | \$ 260,754 | \$ 57,256 | \$ 394,327 |
| Accrued Wages and Benefits Payable | 1,128,536 | - | - | 116,720 | 1,245,256 |
| Intergovernmental Payable | 207,318 | - | - | 15,997 | 223,315 |
| Interfund Payable | - | - | - | 191,500 | 191,500 |
| Total Liabilities | <u>1,412,171</u> | <u>-</u> | <u>260,754</u> | <u>381,473</u> | <u>2,054,398</u> |
| Deferred Inflows of Resources: | | | | | |
| Property Taxes | 7,199,284 | 467,495 | 834,799 | 108,730 | 8,610,308 |
| Unavailable Revenue | 374,836 | 13,440 | 23,972 | 125,380 | 537,628 |
| Total Deferred Inflows of Resources | <u>7,574,120</u> | <u>480,935</u> | <u>858,771</u> | <u>234,110</u> | <u>9,147,936</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Prepaid Items | 122,654 | - | - | - | 122,654 |
| Restricted for: | | | | | |
| Debt Service | - | 2,462,058 | - | - | 2,462,058 |
| Permanent Improvement | - | - | 79,753 | - | 79,753 |
| Food Service | - | - | - | 111,993 | 111,993 |
| Special Trust | - | - | - | 108 | 108 |
| Other Local Grants | - | - | - | 398 | 398 |
| School Improvement | - | - | - | 249 | 249 |
| Classroom Facilities | - | - | - | 432,542 | 432,542 |
| Extracurricular Activities | - | - | - | 54,289 | 54,289 |
| State and Federal Grants | - | - | - | 233 | 233 |
| Committed for: | | | | | |
| Termination Benefits | 296,784 | - | - | - | 296,784 |
| Assigned for: | | | | | |
| Public School Support | 40,855 | - | - | - | 40,855 |
| Instruction | 4,033 | - | - | - | 4,033 |
| Support Services | 59,935 | - | - | - | 59,935 |
| Unassigned: | 15,409,870 | - | - | (99,764) | 15,310,106 |
| Total Fund Balances | <u>15,934,131</u> | <u>2,462,058</u> | <u>79,753</u> | <u>500,048</u> | <u>18,975,990</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 24,920,422</u> | <u>\$ 2,942,993</u> | <u>\$ 1,199,278</u> | <u>\$ 1,115,631</u> | <u>\$ 30,178,324</u> |

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

Total Governmental Fund Balances \$ 18,975,990

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,348,514

Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.

| | |
|-------------------------------------|---------|
| Delinquent Property Tax Receivables | 247,687 |
| Intergovernmental Receivables | 122,259 |
| Accounts Receivables | 167,682 |

The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

| | |
|-----------------------------|--------------|
| Deferred Outflows - Pension | 5,299,967 |
| Deferred Outflows - OPEB | 187,582 |
| Deferred Inflows - Pension | (857,723) |
| Deferred Inflows - OPEB | (482,110) |
| Net Pension Liability | (17,424,261) |
| Net OPEB Liability | (4,035,848) |

Long-Term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

| | |
|-------------------------------|-------------|
| Bonds Payable | (2,215,000) |
| Unamortized Issuance Premiums | (121,768) |
| Deferred Amount on Refunding | (175,411) |
| Accrued Interest Payable | (5,538) |
| Capital Leases Payable | (413,019) |
| Compensated Absence Payable | (742,190) |
| | (3,672,926) |

Net Position of Governmental Activities \$ 9,876,813

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | General Fund | Bond Retirement Fund | Permanent Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------------|----------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Property Taxes | \$ 7,071,951 | \$ 450,680 | \$ 821,294 | \$ 106,999 | \$ 8,450,924 |
| Payments in Lieu of Taxes | 4,842 | - | - | - | 4,842 |
| Intergovernmental | 8,392,098 | 49,719 | 68,851 | 998,728 | 9,509,396 |
| Investment Earnings | 107,158 | - | - | - | 107,158 |
| Tuition and Fees | 675,326 | - | - | - | 675,326 |
| Extracurricular Activities | 79,656 | - | - | 187,681 | 267,337 |
| Contributions and Donations | 25,978 | - | - | 30,300 | 56,278 |
| Customer Sales and Services | - | - | - | 242,672 | 242,672 |
| Miscellaneous | 364,165 | - | - | 4,681 | 368,846 |
| Total Revenues | <u>16,721,174</u> | <u>500,399</u> | <u>890,145</u> | <u>1,571,061</u> | <u>19,682,779</u> |
| Expenditures: | | | | | |
| Instruction: | | | | | |
| Regular | 6,260,166 | - | (2,518) | - | 6,257,648 |
| Special | 2,584,397 | - | - | 694,561 | 3,278,958 |
| Vocational | 25,476 | - | - | - | 25,476 |
| Other | 838,321 | - | - | 36,447 | 874,768 |
| Support services: | | | | | |
| Pupils | 318,179 | - | - | - | 318,179 |
| Instructional Staff | 1,344,922 | - | 127,604 | - | 1,472,526 |
| Board of Education | 83,961 | - | - | - | 83,961 |
| Administration | 1,148,853 | - | - | - | 1,148,853 |
| Fiscal | 554,244 | 9,407 | 21,824 | 2,015 | 587,490 |
| Operation and Maintenance of Plant | 1,318,783 | - | 1,280,660 | 258,004 | 2,857,447 |
| Pupil Transportation | 1,156,001 | - | 190,018 | - | 1,346,019 |
| Central | 201,600 | - | - | - | 201,600 |
| Non-Instructional Services | (367) | - | - | 591,146 | 590,779 |
| Extracurricular Activities | 237,661 | - | - | 212,420 | 450,081 |
| Capital Outlay | - | - | 163,806 | - | 163,806 |
| Debt service: | | | | | |
| Principal Retirement | - | 431,000 | 55,755 | - | 486,755 |
| Interest and Fiscal Charges | - | 85,094 | 10,878 | - | 95,972 |
| Total Expenditures | <u>16,072,197</u> | <u>525,501</u> | <u>1,848,027</u> | <u>1,794,593</u> | <u>20,240,318</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>648,977</u> | <u>(25,102)</u> | <u>(957,882)</u> | <u>(223,532)</u> | <u>(557,539)</u> |
| Other Financing Sources / (Uses): | | | | | |
| Sale of Assets | 2,717 | - | - | - | 2,717 |
| Inception of Capital Lease | - | - | 163,806 | - | 163,806 |
| Transfers In | - | - | 60,000 | 600 | 60,600 |
| Transfers Out | (60,600) | - | - | - | (60,600) |
| Total Other Financing Sources / (Uses) | <u>(57,883)</u> | <u>-</u> | <u>223,806</u> | <u>600</u> | <u>166,523</u> |
| Net Change in Fund Balances | 591,094 | (25,102) | (734,076) | (222,932) | (391,016) |
| Fund Balances - Beginning | 15,343,037 | 2,487,160 | 813,829 | 722,980 | 19,367,006 |
| Fund Balances - Ending | <u>\$ 15,934,131</u> | <u>\$ 2,462,058</u> | <u>\$ 79,753</u> | <u>\$ 500,048</u> | <u>\$ 18,975,990</u> |

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (391,016)

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.

| | |
|----------------------|-----------|
| Depreciation Expense | (849,640) |
| Capital Outlay | 2,034,796 |

The net effect of various transactions involving capital assets (i.e. sales, disposals, etc.) (183,137)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 119,759

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,288,512

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. 5,284,798

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities. 572,281

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

| | |
|--|-----------|
| Bond Principal Repayments | 405,000 |
| Amortization on Deferred Amount on Refunding | 38,981 |
| Net Amortization on Bond Premium | 27,060 |
| Capital Lease Principal Repayments | 81,755 |
| Inception of Capital Lease | (163,806) |
| Termination of Capital Lease | 82,800 |

Some expenses reported in the statement of activities, such as compensated absences payable and other accounts payable, do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

| | |
|----------------------|----------|
| Compensated Absences | (19,758) |
| Accrued Interest | 1,012 |

Change in Net Position of Governmental Activities \$ 8,329,397

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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, 2018

| | Original Budget | Final Budget | Actual | Variance Over/(Under) |
|---|----------------------|----------------------|----------------------|--------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 7,127,561 | \$ 7,337,518 | \$ 7,337,518 | \$ - |
| Payments in Lieu of Taxes | 4,703 | 4,842 | 4,842 | - |
| Intergovernmental | 8,151,964 | 8,392,098 | 8,392,098 | - |
| Investment Earnings | 104,092 | 107,158 | 107,158 | - |
| Tuition and Fees | 656,002 | 675,326 | 675,326 | - |
| Extracurricular Activities | 31,361 | 32,285 | 32,285 | - |
| Miscellaneous | 353,649 | 364,067 | 364,067 | - |
| Total Revenues | 16,429,332 | 16,913,294 | 16,913,294 | - |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 5,963,141 | 6,015,048 | 6,015,048 | - |
| Special | 2,649,422 | 2,635,716 | 2,635,716 | - |
| Vocational | 25,605 | 25,848 | 25,848 | - |
| Other | 866,326 | 869,168 | 869,168 | - |
| Support services: | | | | |
| Pupils | 311,680 | 313,855 | 313,855 | - |
| Instructional Staff | 1,414,746 | 1,419,964 | 1,419,964 | - |
| Board of Education | 117,380 | 98,882 | 98,882 | - |
| Administration | 1,139,130 | 1,141,439 | 1,141,439 | - |
| Fiscal | 574,839 | 565,164 | 565,164 | - |
| Operation and Maintenance of Plant | 1,537,475 | 1,395,977 | 1,395,977 | - |
| Pupil Transportation | 1,161,645 | 1,175,479 | 1,175,479 | - |
| Central | 190,027 | 208,428 | 208,428 | - |
| Extracurricular Activities | 235,589 | 238,169 | 238,169 | - |
| Total Expenditures | 16,187,005 | 16,103,137 | 16,103,137 | - |
| Excess of Revenues Over (Under) Expenditures | 242,327 | 810,157 | 810,157 | - |
| Other Financing Sources (Uses): | | | | |
| Sale of Assets | 2,639 | 2,717 | 2,717 | - |
| Transfers Out | (132,004) | (132,004) | (132,004) | - |
| Advances In | 95,000 | 95,000 | 95,000 | - |
| Advances Out | (191,500) | (191,500) | (191,500) | - |
| Total Other Financing Sources (Uses) | (225,865) | (225,787) | (225,787) | - |
| Net Change in Fund Balance | 16,462 | 584,370 | 584,370 | - |
| Fund Balances at Beginning of Year | 14,815,252 | 14,815,252 | 14,815,252 | - |
| Prior Year Encumbrances Appropriated | 371,941 | 371,941 | 371,941 | - |
| Fund Balances at End of Year | \$ 15,203,655 | \$ 15,771,563 | \$ 15,771,563 | \$ - |

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018

| | <u>Agency Fund</u> |
|--|-------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 43,457 |
| Total Current Assets | <u>43,457</u> |
| | |
| Total Assets | <u><u>\$ 43,457</u></u> |
| | |
| Liabilities | |
| Current Liabilities: | |
| Due to Students | \$ 40,902 |
| Accounts Payable | 2,555 |
| Total Current Liabilities | <u>43,457</u> |
| | |
| Total Liabilities | <u><u>\$ 43,457</u></u> |

See accompanying notes to the basic financial statements.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 74 non-certificated employees, and 114 certified employees who provide services to 1,407 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 Council of Governments (SCOCACoG). The School District is also associated with two insurance purchasing pools: Sheakley Uniservice Worker's Compensation Group Rating Plan (GRP) and the Pickaway County Public Employee Benefit Program. These organizations are presented in Notes 16 and 17 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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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. 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 position 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 could fall within three categories: governmental, proprietary, and fiduciary.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 total governmental fund assets and deferred outflows of resources and total governmental fund liabilities and deferred inflows of resources is reported as fund balance.

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.

Bond Retirement Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The primary source of revenue is tax revenue.

Permanent Improvement Fund

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

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

Proprietary Funds

Proprietary funds focus on the determination of the change in net position, financial position and cash flows and consist of enterprise and internal service funds. The School District has no proprietary funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 has two fiduciary funds, both of which are agency funds. These funds are used to account for student-managed student activities and the Westfall Business Academy.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

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

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, current liabilities, and deferred inflows of resources 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.

Agency funds do not report a measurement focus as they do not report operations.

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 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 unavailable 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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, PILOTs, 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 5). 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 Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pensions and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, unavailable revenue, deferred amount on refunding, pension, and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenues and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 11 and 12).

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses/Expenditures

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

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 and Investments

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 2018, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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 2018 amounted to \$107,158, which includes \$25,407 assigned from other District funds.

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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. The School District did not have any restricted assets at fiscal year-end.

G. Prepaid Items

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources, even though it is a component of net current assets.

H. Inventory

All inventories are valued at cost and donated commodities are presented at their entitlement value using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At fiscal year-end, the School District had no significant inventory balances on hand.

I. 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 position but are not reported in the fund financial statements.

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 acquisition values as the date received. The School District maintains a capitalization threshold of one 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:

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

J. 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 position.

K. 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.

L. 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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net pension/OPEB liability should be recognized in the governmental funds to the extent that the benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payments of those benefits.

M. Unamortized Bond Premiums and Discounts/Accounting Gain or Loss

Bond premiums are presented as an addition to the face amount of the bonds. On government-wide statements, bond premiums are deferred and amortized using the straight-line method, which approximates the effective interest method. On the governmental fund financial statements, bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

N. Pensions/Other Postemployment Benefits (OPEB)

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

O. Net Position

Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Net investment in capital assets, consists 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 position is 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 position 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 position are available.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance

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.

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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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.

R. 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.

S. 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. Although the legal level of control was established at the fund level for expenditures, the School District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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 2018.

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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 – 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 an assignment of fund balance (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are reported as part of the General Fund on the GAAP basis are not included on the budgetary basis, including the public school support fund, termination benefits fund and workers compensation and health insurance funds.

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

| <u>Net Change in Fund Balance</u> | |
|---|------------------|
| GAAP Basis | \$591,094 |
| <i>Adjustments:</i> | |
| Revenue Accruals | 265,567 |
| Expenditure Accruals | (18,108) |
| Other Financing Sources/Uses | (96,500) |
| Encumbrances | (137,718) |
| Prospective Difference | |
| Activity of Funds Reclassified for GAAP Reporting Purposes | (19,965) |
| Budget Basis | <u>\$584,370</u> |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, and government national mortgage association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

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.

Deposits Custodial credit risk for deposits is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District’s deposits was \$19,374,267 and the bank balance was \$19,460,573. Of the School District’s bank balance, \$260,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining balance was uninsured and collateralized.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments At fiscal year-end, the School District reported an investment in STAR Ohio totaling \$1,132,630. In accordance with GASB Statement No. 79, the School District's investment in STAR Ohio is reported at amortized cost. For the fiscal year ended June 30, 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. STAR Ohio is rated AAA by Standard and Poor's.

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). The School District's investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State statute.

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
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 –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 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected in 2018 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 2018 (other than public utility property tax) represents the collection of 2017 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2018 were levied after April 1, 2017, on the value as of December 31, 2017. 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, 2018 are available to finance fiscal year 2018 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 2018 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2018. 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 inflows of resources for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2018 was \$162,924 and is recognized as revenue. Of this total amount, \$138,234 was available to the General Fund, \$8,554 was available to the Bond Retirement Fund, \$14,304 was available to the Permanent Improvement Capital Projects Fund and \$1,832 was available to the Classroom Facilities Maintenance Projects Fund.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 – PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2018 taxes were collected are:

| | 2017 Second- Half Collections | | 2018 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 269,958,070 | 74.93% | \$ 258,286,020 | 72.48% |
| Public Utility Personal | 90,330,280 | 25.07% | 98,069,840 | 27.52% |
| Total Assessed Value | <u>\$ 360,288,350</u> | <u>100.00%</u> | <u>\$ 356,355,860</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 33.25 | | \$ 32.85 | |

NOTE 6 – RECEIVABLES

Receivables at June 30, 2018 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> | |
|--|-------------------|
| Students with Disabilities | \$ 459 |
| Title VI-B IDEA | 81,798 |
| Title I School Improvement | 27,529 |
| Title I | 67,322 |
| Improving Teacher Quality | 25,021 |
| Other Federal Grants | 10,000 |
| Total Intergovernmental Receivable | <u>\$ 212,129</u> |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

| | Ending Balance 6/30/2017 | Additions | Deletions/ Transfers | Ending Balance 6/30/2018 |
|---|--------------------------------|---------------------|-------------------------|--------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 105,604 | \$ - | \$ - | \$ 105,604 |
| Total Capital Assets, Not Being Depreciated | <u>105,604</u> | <u>-</u> | <u>-</u> | <u>105,604</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 2,913,781 | 1,209,260 | - | 4,123,041 |
| Buildings and Improvements | 17,107,472 | 312,886 | - | 17,420,358 |
| Furniture, Fixtures and Equipment | 1,835,550 | 322,632 | (318,898) | 1,839,284 |
| Vehicles | 1,987,926 | 190,018 | - | 2,177,944 |
| Library Books and Text Books | 892,299 | - | - | 892,299 |
| Total Capital Assets, Being Depreciated | <u>24,737,028</u> | <u>2,034,796</u> | <u>(318,898)</u> | <u>26,452,926</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (1,798,201) | (112,405) | - | (1,910,606) |
| Buildings and Improvements | (9,224,008) | (479,433) | - | (9,703,441) |
| Furniture, Fixtures and Equipment | (1,106,092) | (153,877) | 135,761 | (1,124,208) |
| Vehicles | (1,475,537) | (103,925) | - | (1,579,462) |
| Library Books and Text Books | (892,299) | - | - | (892,299) |
| Total Accumulated Depreciation | <u>(14,496,137)</u> | <u>(849,640)</u> | <u>135,761</u> | <u>(15,210,016)</u> |
| Total Capital Assets Being Depreciated, Net | <u>10,240,891</u> | <u>1,185,156</u> | <u>(183,137)</u> | <u>11,242,910</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 10,346,495</u> | <u>\$ 1,185,156</u> | <u>\$ (183,137)</u> | <u>\$ 11,348,514</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------|
| Instruction | |
| Regular | \$ 600,072 |
| Special | 300 |
| Support Services: | |
| Instructional Staff | 61,766 |
| Administration | 457 |
| Operation and Maintenance | 78,012 |
| Pupil Transportation | 100,748 |
| Operation of Non-Instructional Services | 4,924 |
| Extracurricular Activities | 3,361 |
| Total Depreciation Expense | <u>\$ 849,640</u> |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8 – 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 2018, the School District contracted with Neil Coleman Insurance for professional and general liability insurance, fleet insurance and property insurance. Insurance coverages provided are as follows:

| | |
|--|---------------|
| Building and Contents replacement cost (\$1,000) | \$ 50,602,122 |
| Automobile Liability (\$0 deductible) | 1,000,000 |
| General Liability: | |
| Per Occurrence (\$0 deductible) | 1,000,000 |
| Aggregate Limit | 3,000,000 |
| Educators Legal Liability (\$5,000 deductible) | 1,000,000 |

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 2018, the School District participated in the Sheakey Uniservice Worker’s Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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 and prescription drug benefits to employees through the Pickaway County Public Employees Benefits Program, which is more fully described in Note 17. 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.

During fiscal year 2012, the School District began offering dental benefits through the Pickaway County Public Employees Benefits Program as well.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – LONG-TERM OBLIGATIONS

During fiscal year 2018, the following changes occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 20.

| | Restated Balance Outstanding 6/30/2017 | Additions | Deductions | Balance Outstanding 6/30/2018 | Due in One Year |
|----------------------------------|---|-------------------|---------------------|-------------------------------------|--------------------|
| <i>General Obligation Bonds:</i> | | | | | |
| 2015 Refunding, 3.00% | | | | | |
| Serial Bonds | \$ 2,620,000 | \$ - | \$ 405,000 | \$ 2,215,000 | \$ 415,000 |
| Total Long-Term Bonds | 2,620,000 | - | 405,000 | 2,215,000 | 415,000 |
| Net Pension Liability | | | | | |
| SERS | 4,870,685 | - | 848,225 | 4,022,460 | - |
| STRS | 19,132,770 | - | 5,730,969 | 13,401,801 | - |
| Total Net Pension Liability | 24,003,455 | - | 6,579,194 | 17,424,261 | - |
| Net OPEB Liability | | | | | |
| SERS | 1,930,433 | - | 95,739 | 1,834,694 | - |
| STRS | 3,056,867 | - | 855,713 | 2,201,154 | - |
| Total Net OPEB Liability | 4,987,300 | - | 951,452 | 4,035,848 | - |
| Premium on 2015 Refunding Bonds | 148,828 | - | 27,060 | 121,768 | - |
| Capital Leases | 413,768 | 163,806 | 164,555 | 413,019 | 52,135 |
| Compensated Absences | 722,432 | 110,246 | 90,488 | 742,190 | 72,057 |
| Total Long-Term Obligations | <u>\$ 32,895,783</u> | <u>\$ 274,052</u> | <u>\$ 8,217,749</u> | <u>\$ 24,952,086</u> | <u>\$ 539,192</u> |

The bonds are paid from the Bond Retirement Fund. The capital leases are being paid from the Bond Retirement Fund and Permanent Improvement Fund. Compensated absences are being paid from the fund from which the employee is paid, with the General Fund being the most significant. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the fund benefiting from the employee's service. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

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.

During fiscal year 2016, the outstanding balance of the bonds (\$3,110,000) were advance refunded with the issuance of the General Obligation Advance Refunding Bonds Series 2015. The refunded bonds had a call date of December 1, 2016.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

2015 Refunding Bonds – In December 2015, the School District issued \$3,015,000 of voted general obligation bonds for the full advance refunding of the 2005 series bonds. \$3,015,000 was issued as serial bonds with an interest rate of 3.00%. The bonds were issued for a seven year period, with final maturity December 1, 2022. This refunding resulted in cash flow savings of \$240,103 and an economic gain of \$221,363. The refunding bonds are being retired from the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2018, are as follows:

| Fiscal Year Ending June 30 | 2015 Serial Bonds Principal | 2015 Serial Bonds Interest | Total Payments |
|-------------------------------|-----------------------------------|----------------------------------|-------------------|
| 2019 | \$ 415,000 | \$ 60,225 | \$ 475,225 |
| 2020 | 435,000 | 47,475 | 482,475 |
| 2021 | 445,000 | 34,275 | 479,275 |
| 2022 | 455,000 | 20,775 | 475,775 |
| 2023 | 465,000 | 6,975 | 471,975 |
| | \$ 2,215,000 | \$ 169,725 | \$ 2,384,725 |

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, 2018, are voted debt limit of \$32,072,027 and an unvoted debt limit of \$356,356.

NOTE 10 – CAPITAL LEASES

The School District has entered into agreements to lease copiers and to replace a roof. These leases meet the criteria of capital leases as defined by governmental accounting standards, 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 \$987,724 in governmental activities, which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2018 were \$81,755 in the governmental funds.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 – 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, 2018 are as follows:

| Year Ended December 31, | Capital Lease Payments |
|---|---------------------------|
| 2019 | \$ 84,359 |
| 2020 | 84,069 |
| 2021 | 84,709 |
| 2022 | 84,279 |
| 2023 | 76,129 |
| 2024-2026 | 114,669 |
| Total Future Minimum Lease Payments | 528,214 |
| Less: Amount Representing Interest | (115,195) |
| Present Value of Net Minimum Lease Payments | \$ 413,019 |

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

| | Eligible to Retire on or before August 1, 2017 * | Eligible to Retire on or after August 1, 2017 |
|------------------------------|---|--|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contractually required contribution to SERS was \$304,016 for fiscal year 2018. Of this amount \$37,500 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

WESTFALL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$937,321 for fiscal year 2018. Of this amount, \$129,952 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|--------------------|---------------|
| Proportionate Share of the Net Pension Liability | \$4,022,460 | \$13,401,801 | \$17,424,261 |
| Proportion of the Net Pension Liability - Current Measurement Date | 0.0673240% | 0.05641625% | |
| Proportion of the Net Pension Liability - Prior Measurement Date | <u>0.0665478%</u> | <u>0.05715879%</u> | |
| Change in Proportionate Share | <u>0.0007762%</u> | <u>-0.000743%</u> | |
| Pension Expense | (\$112,083) | (\$5,172,715) | (\$5,284,798) |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$173,112 | \$517,516 | \$690,628 |
| Changes of assumptions | 208,004 | 2,931,121 | 3,139,125 |
| Change in proportionate share | 82,488 | 146,389 | 228,877 |
| School District contributions subsequent to the measurement date | <u>304,016</u> | <u>937,321</u> | <u>1,241,337</u> |
| Total Deferred Outflows of Resources | <u>\$767,620</u> | <u>\$4,532,347</u> | <u>\$5,299,967</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$108,014 | \$108,014 |
| Net difference between projected and actual earnings on pension plan investments | 19,091 | 442,277 | 461,368 |
| Change in proportionate share | <u>23,535</u> | <u>264,806</u> | <u>288,341</u> |
| Total Deferred Inflows of Resources | <u>\$42,626</u> | <u>\$815,097</u> | <u>\$857,723</u> |

\$1,241,337 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|------------------|--------------------|--------------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | \$196,901 | \$563,145 | \$760,046 |
| 2020 | 243,911 | 1,273,133 | 1,517,044 |
| 2021 | 88,793 | 753,107 | 841,900 |
| 2022 | <u>(108,627)</u> | <u>190,544</u> | <u>81,917</u> |
| Total | <u>\$420,978</u> | <u>\$2,779,929</u> | <u>\$3,200,907</u> |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

| | |
|--|--|
| Wage Inflation | 3 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.50 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal |

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five-year period ended June 30, 2015.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
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NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | <u>10.00</u> | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$5,582,130 | \$4,022,460 | \$2,715,919 |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | July 1, 2017 |
|-----------------------------------|---|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments (COLA) | 0.00 percent effective July 1, 2017 |

Actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* |
|----------------------|-------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 1.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*The 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$19,211,026 | \$13,401,801 | \$8,508,400 |

Social Security System

Effective July 1, 1991, all employees not otherwise covered by School Employees Retirement System or State Teachers Retirement System have an option to choose Social Security. As of June 30, 2018, no members of the Board of Education have elected Social Security. The School District’s liability is 6.2 percent of wages paid.

NOTE 12 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payables on both the accrual and modified accrual bases of accounting.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program.

Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

WESTFALL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2.00 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.50 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$35,915.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$47,175 for fiscal year 2018. Of this amount \$36,753 is reported as an intergovernmental payable.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

WESTFALL LOCAL SCHOOL DISTRICT
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|--------------------|--------------|
| Proportionate Share of the Net OPEB Liability | \$1,834,694 | \$2,201,154 | \$4,035,848 |
| Proportion of the Net OPEB Liability - Current Measurement Date | 0.0683634% | 0.05641625% | |
| Proportion of the Net OPEB Liability - Prior Measurement Date | <u>0.0677257%</u> | <u>0.05715879%</u> | |
| Change in Proportionate Share | 0.0006377% | -0.0007425% | |
| | | | |
| OPEB Expense | \$107,334 | (\$679,615) | (\$572,281) |

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|------------------|------------------|------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$127,064 | \$127,064 |
| Change in proportionate share | 13,343 | 0 | 13,343 |
| School District contributions subsequent to the measurement date | <u>47,175</u> | <u>0</u> | <u>47,175</u> |
| Total Deferred Outflows of Resources | <u>\$60,518</u> | <u>\$127,064</u> | <u>\$187,582</u> |
| | | | |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$0 | \$0 | \$0 |
| Changes of assumptions | 174,104 | 177,310 | 351,414 |
| Net difference between projected and actual earnings on pension plan investments | 4,845 | 94,082 | 98,927 |
| Change in proportionate share | <u>0</u> | <u>31,769</u> | <u>31,769</u> |
| Total Deferred Inflows of Resources | <u>\$178,949</u> | <u>\$303,161</u> | <u>\$482,110</u> |

WESTFALL LOCAL SCHOOL DISTRICT
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

\$47,175 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|--------------------|--------------------|--------------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | (\$59,458) | (\$44,025) | (\$103,483) |
| 2020 | (59,458) | (44,025) | (103,483) |
| 2021 | (59,458) | (44,025) | (103,483) |
| 2022 | <u>12,768</u> | <u>(44,022)</u> | <u>(31,254)</u> |
| Total | <u>(\$165,606)</u> | <u>(\$176,097)</u> | <u>(\$341,703)</u> |

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

| | |
|---|--|
| Wage Inflation | 3.00 percent |
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Municipal Bond Index Rate: | |
| Measurement Date | 3.56 percent |
| Prior Measurement Date | 2.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation: | 3.63 percent |
| Measurement Date | 2.98 percent |
| Prior Measurement Date | |
| Medical Trend Assumption | |
| Medicare | 5.50 to 5.00 percent |
| Pre-Medicare | 7.50 to 5.00 percent |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015 and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

WESTFALL LOCAL SCHOOL DISTRICT
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63 percent) and higher (4.63 percent) than the current discount rate (3.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.50 percent decreasing to 4.00 percent) and higher (8.50 percent decreasing to 6.00 percent) than the current rate.

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$2,215,627 | \$1,834,694 | \$1,532,898 |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

| | 1% Decrease (6.50% decreasing to 4.00%) | Discount Rate (7.50% decreasing to 5.00%) | 1% Increase (8.50% decreasing to 6.00%) |
|--|---|---|---|
| School District's proportionate share of the net OPEB liability | \$1,488,717 | \$1,834,694 | \$2,292,601 |

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

| | |
|-----------------------------------|--|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation |
| Payroll Increases | 3.00 percent |
| Cost-of-Living Adjustments (COLA) | 0.00 percent, effective July 1, 2017 |
| Blended Discount Rate of Return | 4.13 percent |
| Health Care Cost Trends | 6.00 to 11.00 percent initial, 4.50 percent ultimate |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*” and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

WESTFALL LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.10 percent to 1.90 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return*</u> |
|----------------------|------------------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u><u>100.00 %</u></u> | |

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption.

Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | \$2,955,014 | \$2,201,154 | \$1,605,358 |

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| School District's proportionate share of the net OPEB liability | \$1,529,267 | \$2,201,154 | \$3,085,435 |

NOTE 13 – 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.

Health, Prescription Drug and Dental Insurance

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 14 – INTERFUND ACTIVITY

Interfund transfers for fiscal year 2018 were as follows:

| Transfer In | Transfer Out General Fund |
|----------------------------|------------------------------|
| Permanent Improvement Fund | \$60,000 |
| Other Governmental Funds | |
| Students with Disabilities | 600 |
| Totals | \$60,600 |

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund balances at fiscal year-end, as reported on the fund financial statements, consist of the following individual interfund receivables and payables:

| Fund | Receivable | Payable |
|---------------------------|-------------------|-------------------|
| General Fund | \$ 191,500 | \$ - |
| Other Governmental Funds | | |
| Title VI-B | - | 45,000 |
| School Improvement | - | 35,000 |
| Title I | - | 49,000 |
| Improving Teacher Quality | - | 52,000 |
| Other Federal Grants | - | 10,500 |
| Totals | \$ 191,500 | \$ 191,500 |

Interfund advances are made to provide funds for federal projects until funding is received and are reported as Interfund Receivables/Payables. In general, interfund advances are made at the end of the fiscal year and then returned the next fiscal year when funding is received.

NOTE 15 – 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.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 – STATUTORY SET-ASIDES (Continued)

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, 2017 | \$ - |
| Current Year Set-Aside Requirement | 257,314 |
| Current Year Offsets | (257,314) |
| Current Year Qualifying Disbursements | - |
| Totals | - |
| Set-Aside Reserve Balance as of June 30, 2018 | \$ - |

Since current year offsets may not be carried over to the next fiscal year, current year offsets presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero.

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

SCOCACoG - 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. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG 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 SCOCACoG \$4,133 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Career and Technology Center, P.O. Box 577, 175 Beaver Creek., Piketon, Ohio, 45661.

NOTE 17 – INSURANCE PURCHASING POOLS

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 17 – INSURANCE PURCHASING POOLS (Continued)

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 Stacy Overly, Treasurer, Teays Valley Local School District, 385 Viking Way, Ashville, Ohio 43103.

NOTE 18 – CONTINGENCIES

Grants - The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

Foundation Funding – School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the School District is due a net amount of \$1,060 from ODE.

NOTE 19 – DEFICIT FUND BALANCE

The following funds had a deficit fund balance at June 30, 2018:

| Fund | Deficit Balance |
|---------------------------|-----------------|
| Title VI-B | \$43,888 |
| School Improvement | 11,614 |
| Title I | 33,062 |
| Improving Teacher Quality | 11,200 |
| Totals | \$99,764 |

These deficit fund balances are the result of the recognition of payables in accordance with generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year ending June 30, 2018, the School District has implemented the following:

GASB Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement added supplementary information (presented on pages 72-77 and 79) and also had the following effect on net position as reported June 30, 2017:

| | Governmental Activities |
|---|----------------------------|
| Net Position June 30, 2017 | 6,497,248 |
| Adjustments: | |
| Net OPEB Liability | (4,987,300) |
| Deferred Outflows - Payments Subsequent to Measurement Date | 37,468 |
| Restated Net Position June 30, 2017 | 1,547,416 |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 81 “Irrevocable Split-Interest Agreements” improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

GASB Statement No. 85 “Omnibus 2017” addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the School District.

GASB Statement No. 86 “Certain Debt Extinguishment Issues” improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the School District.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 21 – OTHER COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's encumbrances in governmental funds were as follows:

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|-----------------------|----------------------------------|
| General | \$ 137,718 |
| Permanent Improvement | 294,502 |
| Other Governmental | <u>83,258</u> |
| Total | <u><u>\$ 515,478</u></u> |

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REQUIRED SUPPLEMENTARY INFORMATION

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| School District's Proportion of the Net Pension Liability | 0.0673240% | 0.0665478% | 0.0677706% | 0.0643350% | 0.0643350% |
| School District's Proportionate Share of the Net Pension Liability | \$ 4,022,460 | \$ 4,870,685 | \$ 3,867,056 | \$ 3,255,958 | \$ 3,825,796 |
| School District's Covered Payroll | \$ 2,229,026 | \$ 2,064,936 | \$ 2,054,896 | \$ 1,877,904 | \$ 1,904,436 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 180.46% | 235.88% | 188.19% | 173.38% | 200.89% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST FIVE FISCAL YEARS (1)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| School District's Proportion of the Net Pension Liability | 0.05641625% | 0.05715879% | 0.05619370% | 0.05712397% | 0.05712397% |
| School District's Proportionate Share of the Net Pension Liability | \$ 13,401,801 | \$ 19,132,770 | \$ 15,530,295 | \$ 13,894,526 | \$ 16,551,069 |
| School District's Covered Payroll | \$ 6,551,233 | \$ 6,312,936 | \$ 6,203,811 | \$ 6,214,473 | \$ 6,088,457 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 204.57% | 303.07% | 250.33% | 223.58% | 271.84% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

(1) Information prior to 2014 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Contractually Required Contribution | \$ 304,016 | \$ 312,064 | \$ 289,091 | \$ 270,835 |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ 304,016</u> | <u>\$ 312,064</u> | <u>\$ 289,091</u> | <u>\$ 270,835</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,251,967 | \$ 2,229,026 | \$ 2,064,936 | \$ 2,054,896 |
| Contributions as a Percentage of Covered Payroll | 13.50% | 14.00% | 14.00% | 13.18% |

See accompanying notes to the required supplementary information.

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 260,277 | \$ 263,574 | \$ 244,181 | \$ 214,059 | \$ 301,458 | \$ 212,346 |
| <u>\$ 260,277</u> | <u>\$ 263,574</u> | <u>\$ 244,181</u> | <u>\$ 214,059</u> | <u>\$ 301,458</u> | <u>\$ 212,346</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,877,904 | \$ 1,904,436 | \$ 1,815,472 | \$ 1,702,936 | \$ 2,226,425 | \$ 2,157,988 |
| 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Contractually Required Contribution | \$ 937,321 | \$ 917,172 | \$ 883,811 | \$ 868,534 |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ 937,321</u> | <u>\$ 917,172</u> | <u>\$ 883,811</u> | <u>\$ 868,534</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 6,695,150 | \$ 6,551,233 | \$ 6,312,936 | \$ 6,203,811 |
| Contributions as a Percentage of Covered Payroll | 14.00% | 14.00% | 14.00% | 14.00% |

See accompanying notes to the required supplementary information.

| 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 807,882 | \$ 791,499 | \$ 805,287 | \$ 741,466 | \$ 747,576 | \$ 841,791 |
| \$ 807,882 | \$ 791,499 | \$ 805,287 | \$ 741,466 | \$ 747,576 | \$ 841,791 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 6,214,473 | \$ 6,088,457 | \$ 6,194,515 | \$ 5,703,585 | \$ 5,750,585 | \$ 6,475,315 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

| | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|
| School District's Proportion of the Net OPEB Liability | 0.0683634% | 0.0677257% |
| School District's Proportionate Share of the Net OPEB Liability | \$ 1,834,694 | \$ 1,930,433 |
| School District's Covered Payroll | \$ 2,229,026 | \$ 2,064,936 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 82.31% | 93.49% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 12.46% | 11.49% |

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TWO FISCAL YEARS (1)

| | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|
| School District's Proportion of the Net OPEB Liability | 0.05641625% | 0.05715879% |
| School District's Proportionate Share of the Net OPEB Liability | \$ 2,201,154 | \$ 3,056,867 |
| School District's Covered Payroll | \$ 6,551,233 | \$ 6,312,936 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 33.60% | 48.42% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 47.10% | 37.30% |

(1) Information prior to 2017 is not available.

Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution (1) | \$ 47,175 | \$ 37,468 | \$ 34,390 | \$ 51,947 |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ 47,175</u> | <u>\$ 37,468</u> | <u>\$ 34,390</u> | <u>\$ 51,947</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,251,967 | \$ 2,229,026 | \$ 2,064,936 | \$ 2,054,896 |
| Contributions as a Percentage of Covered Payroll (1) | 2.09% | 1.68% | 1.67% | 2.53% |

(1) Includes Surcharge

See accompanying notes to the required supplementary information.

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 14,272 | \$ 14,093 | \$ 14,490 | \$ 56,299 | \$ 59,679 | \$ 63,945 |
| <u>\$ 14,272</u> | <u>\$ 14,093</u> | <u>\$ 14,490</u> | <u>\$ 56,299</u> | <u>\$ 59,679</u> | <u>\$ 63,945</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,877,904 | \$ 1,904,436 | \$ 1,815,472 | \$ 1,702,936 | \$ 2,226,425 | \$ 2,157,988 |
| 0.76% | 0.74% | 0.80% | 3.31% | 2.68% | 2.96% |

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Contractually Required Contribution | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Contribution Deficiency (Excess) | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Covered Payroll | \$ 6,695,150 | \$ 6,551,233 | \$ 6,312,936 | \$ 6,203,811 |
| Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% |

See accompanying notes to the required supplementary information.

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 34,542 | \$ 34,807 | \$ 34,895 | \$ 15,443 | \$ 15,350 | \$ 16,336 |
| <u>\$ 34,542</u> | <u>\$ 34,807</u> | <u>\$ 34,895</u> | <u>\$ 15,443</u> | <u>\$ 15,350</u> | <u>\$ 16,336</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 6,214,473 | \$ 6,088,457 | \$ 6,194,515 | \$ 5,703,585 | \$ 5,750,585 | \$ 6,475,315 |
| 0.56% | 0.57% | 0.56% | 0.27% | 0.27% | 0.25% |

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net Pension Liability

School Employees Retirement System

Changes in benefit terms:

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00% to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarially determined contributions for fiscal year 2018.

State Teachers Retirement System

Changes in benefit terms:

For fiscal year 2018, the COLA was reduced to zero.

Changes in assumptions:

For fiscal year 2018, the STRS Board adopted several assumption changes, including changes to:

- Inflation assumption lowered from 2.75% to 2.50%;
- Investment return assumption lowered from 7.75% to 7.45%;
- Total salary increases rates lowered by decreasing merit component of the individual salary increases, as well as by 0.25% due to lower inflation;
- Payroll growth assumption lowered to 3.00%;
- Updated the healthy and disabled mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016; and
- Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net OPEB Liability

School Employees Retirement System

Changes in Assumptions:

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

Municipal Bond Index Rate:

| | |
|------------------|--------------|
| Fiscal year 2018 | 3.56 percent |
| Fiscal year 2017 | 2.92 percent |

Single Equivalent Interest Rate, net of plan investment expense, including price inflation

| | |
|------------------|--------------|
| Fiscal year 2018 | 3.63 percent |
| Fiscal year 2017 | 2.98 percent |

State Teachers Retirement System

Changes in Assumptions:

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also for fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

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SUPPLEMENTARY INFORMATION

**WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL DISBURSEMENTS |
|---|----------------|--|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Child Nutrition Cluster: | | | |
| (C) School Breakfast Program | 10.553 | 2018 | \$ 73,599 |
| (C) National School Lunch Program | 10.555 | 2018 | 214,396 |
| (D) National School Lunch Program - Food Donation | 10.555 | 2018 | 38,958 |
| Total National School Lunch Program | | | 253,354 |
| Total Child Nutrition Cluster | | | 326,953 |
| Team Nutrition Grants | 10.574 | 2017 | 3,053 |
| Total U.S. Department of Agriculture | | | 330,006 |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2017 | 1,626 |
| Title I Grants to Local Educational Agencies | 84.010 | 2017 | 218,357 |
| Title I Grants to Local Educational Agencies - School Improvement | 84.010 | 2018 | 59,549 |
| Total Title I Grants to Local Educational Agencies | | | 279,532 |
| Special Education Cluster: | | | |
| Special Education Grants to States | 84.027 | 2018 | 278,403 |
| Special Education Preschool Grants | 84.173 | 2018 | 6,507 |
| Total Special Education Cluster | | | 284,910 |
| Title II-A Sporting Effective Instruction | 84.367 | 2017 | 360 |
| Title II-A Sporting Effective Instruction | 84.367 | 2018 | 45,805 |
| Total Title II-A Sporting Effective Instruction | | | 46,165 |
| Total U.S. Department of Education | | | 610,607 |
| Total Federal Financial Assistance | | | \$ 940,613 |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2018.
- (B) This schedule includes the federal award activity of the Westfall Local School District under programs of the federal government for the fiscal year ended June 30, 2018 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Westfall Local School District, it is not intended to and does not present the financial position, or changes in net position, of the Westfall Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (E) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect costs rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10% de minimis indirect cost rate



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

Westfall Local School District
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, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Westfall Local School District's basic financial statements and have issued our report thereon dated January 25, 2019, wherein we noted as discussed in Note 20, the Westfall Local School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Westfall Local School 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 Westfall Local School 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 Westfall Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Westfall Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 Westfall Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Westfall Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
January 25, 2019



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Westfall Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Westfall Local School District's major federal programs for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Westfall Local School District's major federal programs.

Management's Responsibility

The Westfall Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Westfall Local School District's compliance for each of the Westfall Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Westfall Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the Westfall Local School District's major programs. However, our audit does not provide a legal determination of the Westfall Local School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Westfall Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

The Westfall Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Westfall Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Westfall Local School District's internal control over compliance.

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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
January 25, 2019

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|---|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unmodified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Program's Compliance Opinion</i> | Unmodified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under 2 CFR §200.516(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Programs (listed):</i> | Special Education Cluster Title I Grants to Local Educational Agencies, CFDA #84.010 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$750,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee under 2 CFR § 200.520?</i> | No |

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

None.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None.

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OHIO AUDITOR OF STATE
KEITH FABER



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 2, 2019**