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AUDITOR OF STATE

STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164-9745

To: Board of Education

We have audited the accompanying general-purpose financial statements of the Westfall Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Westfall Local School District, Pickaway County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

December 19, 2002

**Westfall Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Type	Internal Service	Fiduciary Fund Type	Account Groups		Totals 2002 (Memorandum (Only))	
	General	Special Revenue	Debt Service				Capital Project	Enterprise		Trust and Agency
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 531,016	448,582	203,591	3,236,945	8,434	30,603	99,259	0	0	\$ 4,558,430
Cash with Fiscal Agent	0	0	0	0	0	36,997	0	0	0	36,997
Restricted Assets	0	0	0	274,014	0	0	0	0	0	274,014
Taxes Receivable	4,116,313	65,020	472,829	0	0	0	0	0	0	4,654,162
Interfund Receivables	324,880	0	0	0	0	0	0	0	0	324,880
Due from Other Funds	0	0	0	0	0	0	160,889	0	0	160,889
Intergovernmental Receivables	0	125,070	0	0	33,383	236,508	0	0	0	394,961
Accounts Receivable	35	0	0	0	0	0	0	0	0	35
Supply Inventory	2,410	0	0	0	701	0	0	0	0	3,111
Inventory for Resale	0	0	0	0	2,721	0	0	0	0	2,721
Property, Plant & Equipment	0	0	0	0	225,079	0	0	17,994,898	0	18,219,977
Accumulated Depreciation, Where Applicable	0	0	0	0	(123,837)	0	0	0	0	(123,837)
Amount Available in Debt Service	0	0	0	0	0	0	0	0	285,297	285,297
Amount to be Provided for Retirement of GLTD	0	0	0	0	0	0	0	0	6,828,238	6,828,238
Total Assets and Other Debits	\$ 4,974,654	638,672	676,420	3,510,959	146,481	304,108	260,148	17,994,898	7,113,535	\$ 35,619,878

(Continued)

Westfall Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002

	Governmental Fund Types				Proprietary	Internal	Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Project	Fund Type Enterprise		Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum Only)
Liabilities:										
Interfund Payables	\$ 0	194,880	0	0	130,000	0	0	0	0	\$ 324,880
Due to Other Funds	151,684	9,205	0	0	0	0	0	0	0	160,889
Intergovernmental Payables	5,551	614	0	0	14,313	0	228,581	0	85,474	334,533
Accounts Payable	21,895	21,149	208	0	0	0	0	0	0	43,252
Contracts Payable	0	0	0	995,726	0	0	0	0	0	995,726
Accrued Salaries and Benefits	823,808	67,691	0	0	29,712	0	0	0	0	921,211
Deferred Revenue	3,508,156	52,637	390,915	0	0	0	0	0	0	3,951,708
Retainage Payable	0	0	0	274,014	0	0	0	0	0	274,014
Claims Payable	0	0	0	0	0	242,486	0	0	0	242,486
Due to Student Activities	0	0	0	0	0	0	31,567	0	0	31,567
Bonds Payable	0	0	0	0	0	0	0	0	6,275,731	6,275,731
Compensated Absences Payable	65,354	0	0	0	1,574	0	0	0	752,330	819,258
Total Liabilities	4,576,448	346,176	391,123	1,269,740	175,599	242,486	260,148	0	7,113,535	14,375,255
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	17,994,898	0	17,994,898
Retained Earnings	0	0	0	0	(29,118)	61,622	0	0	0	32,504
Fund Balances:										
Reserved for Supply Inventory	2,410	0	0	0	0	0	0	0	0	2,410
Reserved for Encumbrances	329,683	105,614	0	341,250	0	0	0	0	0	776,547
Reserved for Future Appropriations	608,157	12,383	81,914	0	0	0	0	0	0	702,454
Unreserved Fund Balance	(542,044)	174,499	203,383	1,899,969	0	0	0	0	0	1,735,807
Total Fund Balances	398,206	292,496	285,297	2,241,219	0	0	0	0	0	3,217,218
Total Fund Balances/Retained Earnings and Other Credits	398,206	292,496	285,297	2,241,219	(29,118)	61,622	0	17,994,898	0	21,244,630
Total Liabilities, Fund Equity, and Other Credits	\$ 4,974,654	638,672	676,420	3,510,959	146,481	304,108	260,148	17,994,898	7,113,535	\$ 35,619,878

See Accompanying Notes to the General Purpose Financial Statements

Westfall Local School District
Combined Statement of Revenue, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2002

	Governmental Fund Types				Totals
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources					
Taxes	\$ 3,990,107	77,110	509,555	0	\$ 4,576,772
Tuition	99,127	0	0	0	99,127
Earnings on Investments	38,993	297	3,566	476,888	519,744
Extracurricular Activities	8,940	190,318	0	0	199,258
Classroom Materials & Fees	28,065	0	0	0	28,065
Miscellaneous	524,295	13,509	0	35,218	573,022
Revenue from Intermediate Sources					
Restricted Grants In Aid	0	3,600	0	0	3,600
Revenue in Lieu of Taxes	824	0	0	0	824
Revenue from State Sources					
Unrestricted Grants-in-Aid	5,698,220	6,950	45,927	0	5,751,097
Restricted Grants-in-Aid	195,201	87,482	0	467,206	749,889
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	0	788,544	0	0	788,544
Total Revenue	<u>10,583,772</u>	<u>1,167,810</u>	<u>559,048</u>	<u>979,312</u>	<u>13,289,942</u>
EXPENDITURES:					
Instruction:					
Regular	4,991,597	353,563	0	43,572	5,388,732
Special Instruction	672,148	341,003	0	0	1,013,151
Vocational	18,227	0	0	0	18,227
Supporting Services:					
Pupils	208,638	15,988	0	0	224,626
Instructional Staff	479,217	225,364	0	5,142	709,723
Board of Education	135,263	1,753	0	0	137,016
Administration	1,155,025	42,679	0	0	1,197,704
Fiscal Services	243,002	856	5,654	0	249,512
Business	57,152	0	0	0	57,152
Operation & Maintenance-Plant	859,077	0	0	0	859,077
Pupil Transportation	859,516	5,180	0	0	864,696
Central	26,399	37,442	0	12,500	76,341
Community Services	0	22,360	0	0	22,360
Extracurricular Activities					
Academic & Subject Oriented	28,795	24,984	0	0	53,779
Occupation Oriented	0	639	0	0	639
Sports Oriented	118,679	129,145	0	0	247,824
Co-Curricular Activities	15,732	0	0	0	15,732
Capital Outlay:					
Architecture & Engineering	0	0	0	136,078	136,078
Building Acq. & Construction	0	0	0	9,242,672	9,242,672
Building Improvement	0	0	0	42,437	42,437
Debt Service:					
Repayment of Debt	0	0	481,700	0	481,700
Total Expenditures	<u>9,868,467</u>	<u>1,200,956</u>	<u>487,354</u>	<u>9,482,401</u>	<u>21,039,178</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	715,305	(33,146)	71,694	(8,503,089)	(7,749,236)
Other Financing Sources and Uses:					
Other Financing Sources					
Sale & Loss of Assets	400	0	0	0	400
Transfers-In	0	40,000	0	20,000	60,000
Other Sources	20,448	9,318	0	0	29,766
Other Financing Uses					
Transfer-Out	(60,000)	0	0	0	(60,000)
Other Expenditures	(150)	(2,100)	0	0	(2,250)
Net Other Financing Sources and Uses	<u>(39,302)</u>	<u>47,218</u>	<u>0</u>	<u>20,000</u>	<u>27,916</u>
Excess (Deficiency) of Revenues and Other Sources					
Over Expenditures and Other Uses	676,003	14,072	71,694	(8,483,089)	(7,721,320)
Increase Supply Inventory	(1,676)	0	0	0	(1,676)
Beginning Fund Balance	<u>(276,121)</u>	<u>278,424</u>	<u>213,603</u>	<u>10,724,308</u>	<u>10,940,214</u>
Ending Fund Balance	<u>\$ 398,206</u>	<u>292,496</u>	<u>285,297</u>	<u>2,241,219</u>	<u>\$ 3,217,218</u>

See Accompanying Notes to the General Purpose Financial Statements

Westfall Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,586,941	3,586,941	0	68,532	68,532	\$ 0
Tuition	99,126	99,126	0	0	0	0
Earnings on Investment	36,368	39,054	2,686	297	297	0
Extracurricular Activities	8,940	8,940	0	189,061	191,006	1,945
Classroom Materials & Fees	28,068	28,068	0	0	0	0
Miscellaneous	523,460	524,295	835	13,409	13,509	100
Restricted Grant in Aid	0	0	0	3,600	3,600	0
Revenue in Lieu of Taxes	824	824	0	0	0	0
State Unrestricted Grants-in-Aid	5,698,220	5,698,220	0	6,950	6,950	0
State Restricted Grants-in-Aid	195,201	195,201	0	74,189	77,639	3,450
Federal Restricted Grants-in-Aid	0	0	0	695,697	695,697	0
Total Revenue	10,177,148	10,180,669	3,521	1,051,735	1,057,230	5,495
Expenditures:						
Regular Instruction	4,743,269	5,056,281	(313,012)	539,345	388,782	150,563
Special Instruction	723,683	669,081	54,602	346,815	321,139	25,676
Vocational Instruction	18,000	18,227	(227)	0	0	0
Support Services-Pupils	221,418	217,394	4,024	14,600	17,022	(2,422)
Support Services-Instructional Staff	635,824	514,692	121,132	190,456	281,466	(91,010)
Support Services-Board of Education	83,800	141,229	(57,429)	1,753	1,753	0
Support Services-Administration	1,001,111	1,138,376	(137,265)	43,420	44,736	(1,316)
Fiscal Services	269,123	247,965	21,158	178,022	859	177,163
Support Services-Business	91,382	63,937	27,445	0	0	0
Operation & Maintenance-Plant	1,031,982	995,395	36,587	100	0	100
Support Services-Transportation	892,386	921,533	(29,147)	1,799	5,186	(3,387)
Support Services-Central	75,500	34,340	41,160	60,574	37,622	22,952
Community Service	0	0	0	546	22,457	
Academic & Subject Oriented	29,500	28,752	748	38,486	27,880	10,606
Occupation Oriented Act.	0	0	0	503	639	(136)
Sports Oriented	113,100	118,449	(5,349)	125,877	146,584	(20,707)
Co-Curricular Activities	15,000	15,679	(679)	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Acquisition & Construction	0	0	0	0	0	0
Building Improvement	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	9,945,078	10,181,330	(236,252)	1,542,296	1,296,125	246,171
Excess of Revenue Over (Under) Expenditures	232,070	(661)	(232,731)	(490,561)	(238,895)	251,666
Other Financing Sources (Uses):						
Sale & Loss of Assets	400	400	0	0	0	0
Transfer-In	0	0	0	40,000	40,000	0
Advances-In	187,937	187,937	0	179,881	194,881	15,000
Refund of Prior Year Expenditures	22,507	22,507	0	9,318	9,318	0
Transfer-Out	0	(60,000)	(60,000)	(14,247)	0	14,247
Advances-Out	(333,502)	(324,881)	8,621	(14,604)	(37,937)	(23,333)
Other Uses	0	(150)	(150)	(38,750)	(2,100)	36,650
Total Other Sources (Uses)	(122,658)	(174,187)	(51,529)	161,598	204,162	42,564
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	109,412	(174,848)	(284,260)	(328,963)	(34,733)	294,230
Beginning Fund (Deficit) Balance	223,410	223,410	--	330,751	330,751	--
Prior Year Carry Over Encumbrances	151,141	151,141	--	46,198	46,198	--
Ending Fund (Deficit) Balance	\$ 483,963	199,703	(284,260)	47,986	342,216	\$ 294,230

(Continued)

Westfall Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2002

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 452,758	452,758	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	3,428	3,566	138	570,484	591,658	21,174
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	35,218	35,218	0
Restricted Grant in Aid	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	45,927	45,927	0	0	0	0
State Restricted Grants-in-Aid	0	0	0	458,506	467,206	8,700
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	502,113	502,251	138	1,064,208	1,094,082	29,874
Expenditures:						
Regular Instruction	0	0	0	650,459	366,144	284,315
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	10,032	5,142	4,890
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	10,000	5,678	4,322	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	12,500	12,500	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Act.	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Architecture & Engineering	0	0	0	915,504	135,820	779,684
Building Acquisition & Construction	0	0	0	10,569,207	8,503,241	2,065,966
Building Improvement	0	0	0	51,824	46,843	4,981
Repayment of Debt	680,832	481,700	199,132	0	0	0
Total Expenditures	690,832	487,378	203,454	12,209,526	9,069,690	3,139,836
Excess of Revenue Over (Under) Expenditures	(188,719)	14,873	203,592	(11,145,318)	(7,975,608)	3,169,710
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	20,000	20,000	0
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	20,000	20,000	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(188,719)	14,873	203,592	(11,125,318)	(7,955,608)	3,169,710
Beginning Fund (Deficit) Balance	188,719	188,719	--	10,641,253	10,641,253	--
Prior Year Carry Over Encumbrances	0	0	--	484,065	484,065	--
Ending Fund (Deficit) Balance	\$ 0	203,592	203,592	0	3,169,710	\$ 3,169,710

(Continued)

Westfall Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2002

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	4,108,231	4,108,231	\$ 0
Tuition	99,126	99,126	0
Earnings on Investment	610,577	634,575	23,998
Extracurricular Activities	198,001	199,946	1,945
Classroom Materials & Fees	28,068	28,068	0
Miscellaneous	572,087	573,022	935
Restricted Grants in Aid	3,600	3,600	0
Revenue in Lieu of Taxes	824	824	0
State Unrestricted Grants-in-Aid	5,751,097	5,751,097	0
State Restricted Grants-in-Aid	727,896	740,046	12,150
Federal Restricted Grants-in-Aid	695,697	695,697	0
Total Revenue	<u>12,795,204</u>	<u>12,834,232</u>	<u>39,028</u>
Expenditures:			
Regular Instruction	5,933,073	5,811,207	121,866
Special Instruction	1,070,498	990,220	80,278
Vocational Instruction	18,000	18,227	(227)
Support Services-Pupils	236,018	234,416	1,602
Support Services-Instructional Staff	836,312	801,300	35,012
Support Services-Board of Education	85,553	142,982	(57,429)
Support Services-Administration	1,044,531	1,183,112	(138,581)
Fiscal Services	457,145	254,502	202,643
Support Services-Business	91,382	63,937	27,445
Operation & Maintenance-Plant	1,032,082	995,395	36,687
Support Services-Transportation	894,185	926,719	(32,534)
Support Services-Central	148,574	84,462	64,112
Community Services	546	22,457	(21,911)
Academic & Subject Oriented	67,986	56,632	11,354
Occupation Oriented Act.	503	639	(136)
Sports Oriented	238,977	265,033	(26,056)
Co-Curricular Activities	15,000	15,679	(679)
Architecture & Engineering	915,504	135,820	779,684
Building Acquisition & Construction	10,569,207	8,503,241	2,065,966
Building Improvement	51,824	46,843	4,981
Repayment of Debt	680,832	481,700	199,132
Total Expenditures	<u>24,387,732</u>	<u>21,034,523</u>	<u>3,353,209</u>
Excess of Revenue Over (Under) Expenditures	(11,592,528)	(8,200,291)	3,392,237
Other Financing Sources (Uses):			
Sale & Loss of Assets	400	400	0
Transfer-In	60,000	60,000	0
Advances-In	367,818	382,818	15,000
Refund of Prior Year Expenditures	31,825	31,825	0
Transfer-Out	(14,247)	(60,000)	(45,753)
Advances-Out	(348,106)	(362,818)	(14,712)
Other Uses	(38,750)	(2,250)	36,500
Total Other Sources (Uses)	<u>58,940</u>	<u>49,975</u>	<u>(8,965)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,533,588)	(8,150,316)	3,383,272
Beginning Fund (Deficit) Balance	11,384,133	11,384,133	--
Prior Year Carry Over Encumbrances	681,404	681,404	--
Ending Fund (Deficit) Balance	<u>531,949</u>	<u>3,915,221</u>	<u>\$ 3,383,272</u>

See Accompanying Notes to the General Purpose Financial Statements

Westfall Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types
Year Ended June 30, 2002

	Enterprise Fund	Internal Service Fund	Totals (Memorandum) (Only)
Operating Revenues:			
Food Service	\$ 306,992	0	\$ 306,992
Charges for Services	<u>0</u>	<u>1,169,198</u>	<u>1,169,198</u>
Total Operating Revenue	306,992	1,169,198	1,476,190
Operating Expenses:			
Personal Services - Salary	180,711	0	180,711
Employee Benefits	96,842	0	96,842
Purchased Services	(10,653)	0	(10,653)
Supplies and Materials	233,687	0	233,687
Claims and Administrative	0	1,366,524	1,366,524
Depreciation	<u>1,325</u>	<u>0</u>	<u>1,325</u>
Total Operating Expenses	<u>501,912</u>	<u>1,366,524</u>	<u>1,868,436</u>
Operating Loss	(194,920)	(197,326)	(392,246)
Non-Operating Revenues:			
Miscellaneous	(1,440)	0	(1,440)
State Restricted Grants-In-Aid	7,615	0	7,615
Federal Unrestricted Grants-In-Aid	126,124	0	126,124
Federal Restricted Grants-In-Aid	<u>38,567</u>	<u>0</u>	<u>38,567</u>
Total Non-Operating Revenue	170,866	0	170,866
Non-Operating Expenses:			
Loss on Disposal of Assets	<u>10,597</u>	<u>0</u>	<u>10,597</u>
Total Non-Operating Expenses	10,597	0	10,597
Net Income/Loss	(34,651)	(197,326)	(231,977)
Beginning Retained Earnings	<u>5,533</u>	<u>258,948</u>	<u>264,481</u>
Retained Earnings at End of Year	<u>\$ (29,118)</u>	<u>61,622</u>	<u>\$ 32,504</u>

See Accompanying Notes to the General Purpose Financial Statements

**Westfall Local School District
Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 2002**

	Enterprise Fund	Internal Service Fund	Totals (Memorandum) (Only)
Cash Flows from Operating Activities			
Operating Income (Loss)	\$ (194,920)	(197,326)	\$ (392,246)
Adjustment to Reconcile Operating Loss			
To Net Cash used in Operating Activities:			
Depreciation	1,325	0	1,325
Net (Increases) Decreases in Assets:			
Due from Other Governments	(6,614)	0	(6,614)
Commodities	38,567		38,567
Accounts Receivable	1,459	0	1,459
Inventory	2,492	0	2,492
Prepaid Expenses	0	141,371	141,371
Net Increases (Decreases) in Liabilities:			
Due to Other Funds	(119)	0	(119)
Intergovernmental Receivables	916	0	916
Accounts Payable	0	0	0
Accrued Wages & Benefits	4,060	0	4,060
Deferred Revenue	(2,875)	0	(2,875)
Compensated Absences	(8,888)	0	(8,888)
Claims Payable	0	26,081	26,081
Net Adjustments	30,323	167,452	197,775
Net Cash Used in Operating Activities	(164,597)	(29,874)	(194,471)
Cash Flows from Noncapital Financing Activities:			
Miscellaneous	(1,440)	0	(1,440)
Advances from Other Funds	(20,000)	0	(20,000)
Operating Grants from State Sources	7,615	0	7,615
Operating Grants from Federal Sources	126,124	0	126,124
Net Cash Provided by Noncapital Financing Sources	112,299	0	112,299
Cash Flows from Capital Financing Activities:			
Acquisition of Capital Assets	(4,269)	0	(4,269)
Net Cash Provided by Capital Financing Sources	(4,269)	0	(4,269)
Net Increase/Decrease in Cash & Cash Equivalents	(56,567)	(29,874)	(86,441)
Cash and Cash Equivalents at Beginning of Year	65,001	97,474	162,475
Cash and Cash Equivalents at End of Year	<u>\$ 8,434</u>	<u>67,600</u>	<u>\$ 76,034</u>

See Accompanying Notes to General Purpose Financial Statements

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2001, was 1645. The District employed 116 certified employees and 67 non-certificated employees.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable.

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

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

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

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District did not have any nonexpendable trust funds at June 30, 2002.

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

Account Groups

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

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

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

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

C. Measurement Focus/Basis of Accounting

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

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of eligible expenditures. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 which are not intended to finance fiscal year 2002 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenses are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

rather than in the period earned by employees. Allocation of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

D. Budget and Budgetary Accounting

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

Tax Budget - Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

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

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

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

E. Cash and Investments

Cash received by the District is pooled with individual fund balance integrity maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to STAR Ohio, certificate of deposits, and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are reported at quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2001-02. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Debt Service Fund, Permanent Improvements Funds, Internal Service Funds, and Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$38,993 for the General Fund, \$297 for the Special Revenue Fund, \$3,566 for the Debt Service Fund, and \$476,888 for the Capital Project Funds.

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

F. Inventories

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

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund, when the assets are equal to or greater than the capitalization threshold of \$500. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

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

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

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had \$324,880 in interfund receivables/payables and \$160,889 in due from/to other funds.

I. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. The District had no long-term interfund loans at June 30, 2002.

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

J. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

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

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

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

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Interfund Transactions

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

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

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

M. Fund Balance Reserves

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

N. Statement of Cash Flows

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

O. Memorandum Only - Total Columns

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

P. Restricted Assets

Restricted assets in the capital projects represent cash and cash equivalents set aside in Retainage Accounts for the contractors of the construction of the new elementary building. A liability has also been established as Retainage Payable. The amount of this Restricted Assets and the offsetting liability is \$274,014.

Note 2. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types 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 (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General Fund	Special Revenue	Debt Service	Capital Project
GAAP Basis	\$ 676,003	14,072	71,694	\$ (8,483,089)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	(403,103)	(110,580)	(56,797)	114,770
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(312,863)	(95,169)	(24)	412,711
Due to Other Sources/Uses	(134,885)	156,944	0	0
Budget Basis	\$ (174,848)	(34,733)	14,873	\$ (7,955,608)

Note 3. Legal Compliance-Budgets

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

The District had appropriations in excess of certified resources in the following funds:

At September 30, 2001

006 - Lunch Room Fund	\$128,242
599 - REA Grant Fund	\$144,126

At January 31, 2002

006 - Lunch Room Fund	\$128,242
599 - REA Grant Fund	\$144,126

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

The District had expenditures in excess of appropriations in the following funds:

At September 30, 2001

573 - Title VI	\$5,349
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At January 31, 2002

300 - Athletics / Student Activities	\$39,018
451 - One Net Ohio Program Grant	\$2,211
458 - IVDL Grant	\$5,142
573 - Title VI	\$6,774
599 - REA Grant	\$11,242

At June 30, 2002

018 - Principal Fund	\$9,073
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Note 4. Cash and Investments

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or 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 period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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, 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 monies deposited with the institution.

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$4,399 in cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

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

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$3,579,509 and the bank balance was \$3,841,175. Of the balance, \$100,000 was covered by Federal Depository Insurance; and \$3,741,175 was collateralized by securities specifically pledged by the financial institution to the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category			Carrying Value	Fair Value
	1	2	3		
STAR Ohio	\$ 0	\$ 0	\$ 0	\$ 1,248,536	\$ 1,248,536
Total Investments				<u>\$ 1,248,536</u>	<u>\$ 1,248,536</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents with Fiscal Agents: Cash and Cash Equivalents with Fiscal Agents of \$36,997 in the internal service fund type represent monies held by the Ross County School Employees Insurance Consortium (the Consortium) as of June 30, 2002. The Consortium prepares an annual financial report following a basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. The report may be obtained by writing to the Ross County School Employees Insurance Consortium, 19463 Pherson Pike, Williamsport, Ohio 43164.

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,869,441	\$ 0
Investments:		
STAR Ohio	(1,248,536)	1,248,536
Total	<u>3,620,905</u>	<u>1,248,536</u>

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Cash with Fiscal Agent	(36,997)	
Cash on Hand	(4,399)	0
GASB Statement No. 3	<u>\$ 3,579,509</u>	<u>\$ 1,248,536</u>

Note 5. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

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

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

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

The full tax rate at the fiscal year ending June 30, 2002, for operations was \$35.20 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2002 taxes were collected were as follows:

Real Property	\$ 117,810,890	
Public Utility Personal Property	24,850,130	
Tangible Personal Property	4,175,665	
Total Assessed Value	<u>\$ 146,836,685</u>	

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 6. Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001 (the latest information available), 4.2 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$238,608, \$219,216 and \$198,852, respectively; 47.23 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$133,304 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000 (the latest information available), 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$754,752, \$768,792 and \$694,824, respectively; 83 percent has been contributed for fiscal year

Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

2002, and 100 percent for fiscal years 2001 and 2000. \$125,792 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Note 8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$242,599 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001 (the latest information available), employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$181,026.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 9. Compensated Absences

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

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

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

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

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

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

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 235 days.

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

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

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

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 10. Interfund Transactions

At June 30, 2002, the District had short-term interfund receivables and payables resulting from goods provided or services rendered which are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Due From/to Other Funds:

	Due From	Due To
General Fund	\$ 0	\$ 151,684
Special Revenue Funds	0	9,205
Agency Funds	160,889	0
Total	<u>\$ 160,889</u>	<u>\$ 160,889</u>

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 324,880	\$ 0
Special Revenue Funds	0	194,880
Enterprise Funds	0	130,000
Total	<u>\$ 324,880</u>	<u>\$ 324,880</u>

Note 11. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

Note 12. General Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payables	\$ 78,314	85,474	78,314	\$ 85,474
Bonds Payable	6,405,731	0	130,000	6,275,731
Compensated Absences Payable	839,627	0	87,297	752,330
Total General Long-Term Debt	<u>\$ 7,323,672</u>	<u>85,474</u>	<u>295,611</u>	<u>\$ 7,113,535</u>

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

General Obligation Bonds: The \$6,405,731 of outstanding general obligation bonds relate to a project starting in 2000 for which bonds were issued for the purpose of constructing and equipping an elementary school and improving the site thereof at an interest rate of 5.88%. These bonds mature December 2022, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY2003	135,000	345,205	480,205
FY2004	190,000	336,985	526,985
FY2005	200,000	326,990	526,990
FY2006	210,000	316,380	526,380
FY2007 and thereafter	5,540,731	3,635,257	9,175,988
	<u>\$ 6,275,731</u>	<u>4,960,817</u>	<u>11,236,548</u>

Note 13. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002:

Furniture and Equipment	\$ 225,079
Less Accumulated Depreciation	<u>(123,837)</u>
Net Fixed Assets	<u>\$ 101,242</u>

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

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 13. Fixed Assets (continued)

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 125,500	0	0	\$ 125,500
Buildings	3,244,821	0	300	3,244,521
Improvements Other than Buildings	52,643	6,298	0	58,941
Furniture and Equipment	3,004,059	98,969	530,344	2,572,684
Vehicles	1,529,420	116,590	89,280	1,556,730
Construction In Progress	1,811,735	8,624,787	0	10,436,522
Total General Fixed Assets	<u>\$ 9,768,178</u>	<u>8,846,644</u>	<u>619,924</u>	<u>\$ 17,994,898</u>

Note 14. Risk Management

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$23,577,500. Other property insurance includes \$143,900 for musical instruments, related equipment and accessories, \$1,358 for camera, film and related equipment and accessories, and \$369,051 for data processing equipment and related media.

The District participates in the Workers' Compensation Program provided by the State of Ohio. The District participates in a Workers' Compensation pool through the Ohio School Board Association for rating program. A savings of \$26,856 was realized on the annual premium cost in 2002.

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 14. Risk Management (continued)

B. Health Self Insurance

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

Professional Risk Management, Inc., a third party administrator, services all health/medical claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$100,000 and aggregate claims in excess of \$280.50 per month, per employee consortium wide.

The District established a self insurance fund for the purpose of tracking the fund's balance with the fiscal agent. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the year ended June 30, 2002, follows:

		Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
FY 2000	\$	88,424	788,303	(732,500)	<u>\$ 144,227</u>
FY 2001	\$	144,227	953,704	(881,526)	<u>\$ 216,405</u>
FY 2002	\$	216,405	1,366,524	(1,340,443)	<u>\$ 242,486</u>

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

General Fund	\$ 878,655
Special Revenue	20,352
Enterprise Funds	<u>57,152</u>
Total Contributed by Funds	956,159
Employee Contributions	<u>90,823</u>
Total Contributions	<u>\$ 1,046,982</u>

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 15. Jointly Governed Organizations

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

The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provided computer services to the District. During 2002, the District paid \$16,625.82 to MEC.

Note 16. Statutory Reserves

The following table shows the set-aside and changes for the fiscal year:

	Textbook Acquisition	Capital Acquisition
Set aside Cash Balance as of June 30, 2001	\$ (16,050)	\$ 0
Current Year Set-Aside Requirement	221,974	221,974
Qualifying Disbursements	<u>(250,556)</u>	<u>299,630</u>
Cash Balance Carried Forward to FY2003	<u>\$ (44,632)</u>	<u>\$ 0</u>

Although the District had qualifying expenditures for capital maintenance during the year that reduced the set-aside amounts below zero, this extra amount may not be used to reduce the set-aside requirements of future years. However, the amount spend on textbooks can be carried forward to reduce the set-aside requirements of future years.

**Westfall Local School District
Pickaway County
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)**

Note 17. Fund Deficits

The following funds had deficit balances at June 30, 2002:

General Fund	\$ (484,533)
District Managed Student Activities	\$ (9,079)
Adolescent Pregnancy Prevention	\$ (377)
DPIA Fund	\$ (6,008)
Extended Learning Grant	\$ (119)
Title VI-B	\$ (60,675)
Title I	\$ (35,148)
Title VI	\$ (5,291)
Title VI-R	\$ (7,580)

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

Note 18. Subsequent Events- School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan was unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

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**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education.</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$35,692		\$37,324
National School Breakfast Program	049106-05PU-01/02	10.553	\$13,637		\$13,637	
National School Lunch Program	049106-LLP4-01/02	10.555	104,924		104,924	
Total U.S. Department of Agriculture - Nutrition Cluster			118,561	35,692	118,561	37,324
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education.</i>						
Grants to Local Educational Agencies (ESEA Title I)	049106-C1S1-02	84.010	143,789		144,794	
Education Cluster						
Special Education Grants to States (IDEA Part B)	049106-6BSF-01/02	84.027	120,860		165,288	
Pre-School Grant	049106-PGS1-02	84.173	7,355		7,057	
Total Special Education Cluster			128,215		172,345	
Drug-Free Schools Grant	049106-DRS1-01/02	84.186	14,339		12,559	
CIP District Grant	049106-G2S9-01/02	84.276	0		11,563	
Eisenhower Math and Science Grant	049106-MSS1-01/02	84.281	15,202		16,047	
Innovative Educational Program Strategies	049106-C2S1-00/01/02	84.298	16,099		21,034	
School Reform Demonstration Grant	049106-RFS1-00/01	84.332	63,070		70,554	
Reading Excellence Act Grant	049106-RNS2-00	84.338	260,030		292,874	
I Title VIR	049106-CRS1-02	84.340	39,953		11,190	
Total U.S. Department of Education			808,912		752,960	
Total Federal Awards Receipts and Expenditures			\$927,473	\$35,692	\$871,521	\$37,324

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



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

Board of Education
Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164-9745

To: Board of Education

We have audited the general-purpose financial statements of the Westfall Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-10665-001 and 2002-10665-002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 19, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Westfall Local School District
Pickaway County
19463 Pherson Pike
Williamsport, Ohio 43164-9745

Compliance

We have audited the compliance of the Westfall Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Westfall Local School District, Pickaway County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance and its operation, which we have reported to management of the District in a separate letter dated December 19, 2002.

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



JIM PETRO
Auditor of State

December 19, 2002

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.338 – Reading Excellence Act Grant
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)**

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

Finding Number	2002-10665-001
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Appropriations Exceeding Estimated Revenue

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated resources.

The following District funds' appropriations exceeded estimated resources, as indicated:

September 30, 2001:

Fund	Estimated Resources	Appropriated/ Encumbrance Amount	Amount Exceeded
006 – Lunch Room Fund	\$330,751	\$458,993	\$128,242
599 – REA Grant Fund	\$14,015	\$158,141	\$144,126

January 31, 2002:

Fund	Estimated Resources	Appropriated/ Encumbrance Amount	Amount Exceeded
006 – Lunch Room Fund	\$330,751	\$458,993	\$128,242
599 – REA Grant Fund	\$14,015	\$158,141	\$144,126

We recommend the District limit appropriations to the total estimated resources and make budgetary adjustments in a timely manner when deemed necessary.

Finding Number	2002-10665-002
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Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) states the District is not to expend money unless it has been appropriated.

The following District funds' expenditures exceeded appropriations, as indicated:

September 30, 2001:

Fund	Appropriations/ Encumbrance	Actual Expenditures	Amount Exceeded
573 – Title VI	\$1,479	\$6,828	\$5,349

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002
(Continued)**

Finding Number	2002-10665-002 (Continued)
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Expenditures Exceeding Appropriations (Continued)

January 31, 2002:

Fund	Appropriations/ Encumbrance	Actual Expenditures	Amount Exceeded
300 – Athletics / Student Activities	\$82,960	\$121,978	\$39,018
451 – One Net Ohio Program Grant	\$16,415	\$18,626	\$2,211
458 – IVDL Grant	\$0	\$5,142	\$5,142
573 – Title VI	\$1,479	\$8,253	\$6,774
599 – REA Grant Fund	\$165,619	\$176,861	\$11,242

June 30, 2002:

Fund	Appropriations/ Encumbrance	Actual Expenditures	Amount Exceeded
018 – Principal Fund	\$71,955	\$81,028	\$9,073

We recommend the District limit expenditures to the amounts appropriated and make budgetary adjustments in a timely manner when they are deemed necessary.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2001-10665-001	ORC Section 5705.39 – The District had appropriations exceeding estimated revenue	No	Reissued as finding 2002-10665-001
2001-10665-002	ORC Section 5705.41 (B) – The District had expenditures exceeding appropriations	No	Reissued as finding 2002-10665-002
2001-10665-003	ORC Section 5705.40 – The District had amendments and supplements to the original appropriation measure enacted without the approval of the Board of Education	Yes	Fully Corrected



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OFFICE OF THE AUDITOR

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WESTFALL LOCAL SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2003**