

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**
*BASIC FINANCIAL STATEMENTS
(AUDITED)*
*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

BRIAN RAMSAY, TREASURER

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Westfall Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Westfall Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Westfall Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 17, 2014

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (UNAUDITED)

The discussion and analysis of the Westfall Local School District's (School District) financial performance provides an overview and analysis of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements themselves to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the School District exceeded its liabilities and deferred inflows of resources at June 30, 2014 by \$17.4 million. This balance was comprised of a \$6.4 million net investment in capital assets, a \$2.8 million balance in net position restricted for specific purposes and a balance of \$8.2 million in unrestricted net position.
- In total, net position of governmental activities increased by \$1.9 million which represents a 12.6 percent increase from 2013.
- General revenues accounted for \$16.7 million or 89.2 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2.0 million or 10.8 percent of total revenues.
- The School District had \$16.7 million in expenses related governmental activities; \$2.0 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$16.7 million were adequate to provide for the remainder of these programs.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the School District as a Whole

Government-Wide Financial Statements

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

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (UNAUDITED)

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into one of three categories: governmental, proprietary and fiduciary funds. The School District has no proprietary funds.

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

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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

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

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

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WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Recall that the Statement of Net Position provides the perspective of the School District as a whole, showing all assets and deferred outflows of resources and all liabilities and deferred inflows of resources, and the difference between them (net position). Table 1 provides a summary of the School District's net position for 2014 compared to fiscal year 2013.

Table 1
Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 20,611,397	\$ 17,820,524
Capital Assets, Net	11,024,457	11,173,020
Total Assets	31,635,854	28,993,544
Liabilities		
Current and Other Liabilities	1,837,022	1,656,708
Long-Term Liabilities	5,322,816	5,582,514
Total Liabilities	7,159,838	7,239,222
Deferred Inflows of Resources	7,066,293	6,294,200
Net Position		
Net Investment in Capital Assets	6,353,695	6,251,442
Restricted	2,809,318	2,871,763
Unrestricted	8,246,710	6,336,917
Total Net Position	\$ 17,409,723	\$ 15,460,122

Current and other assets increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in pooled cash and cash equivalents as revenues exceeded expenses during the fiscal year.

Current and other liabilities also increased significantly in comparison with the prior fiscal year. This increase is primarily the result of an increase in accounts payable due to timing of payments.

Long-term liabilities decreased in comparison with the prior fiscal year. This decrease is primarily the result of principal payments made on general obligation bonds (\$340,000) and capital leases (\$29,284) during the fiscal year.

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

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

Table 2 shows the changes in net position for the fiscal year 2014 compared to fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities	
	2014	2013
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 829,239	\$ 990,022
Operating Grants and Contributions	1,187,586	1,221,783
Total Program Revenues	<u>2,016,825</u>	<u>2,211,805</u>
General Revenues		
Property Taxes	7,908,254	7,653,230
Grants and Entitlements Not Restricted	8,404,461	8,286,900
Payment in Lieu of Taxes	5,488	561
Investment Earnings	51,412	47,512
Miscellaneous	299,322	455,877
Total General Revenues	<u>16,668,937</u>	<u>16,444,080</u>
Total Revenues	<u>18,685,762</u>	<u>18,655,885</u>
Program Expense		
Instruction	9,472,731	9,697,011
Support Services	6,134,495	5,509,122
Operation of Non-Instructional Services	587,107	724,883
Extracurricular Activities	390,125	427,743
Interest and Fiscal Charges	151,703	192,396
Total Expenses	<u>16,736,161</u>	<u>16,551,155</u>
Change in Net Position	1,949,601	2,104,730
Net Position, Beginning of Year, Restated	15,460,122	13,355,392
Net Position, End of Year	<u>\$ 17,409,723</u>	<u>\$ 15,460,122</u>

Operating grants and contributions decreased slightly in comparison with the prior fiscal year. This decrease is primarily the result of reduced funding for Title I compared to the prior year.

WESTFALL LOCAL SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

GOVERNMENTAL ACTIVITIES

The School District is heavily dependent on property taxes and intergovernmental revenue. Property taxes made up 42.3 percent and unrestricted intergovernmental revenue made up 45.0 percent of the total revenue for the governmental activities in fiscal year 2014.

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

The School District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. Property Tax growth has been negatively impacted by H.B. 66 which eliminated the Tangible Personal Property Tax. While the School District was fully reimbursed by the state through fiscal year 2010, the reimbursement was phased out in fiscal year 2012. During fiscal year 2014, the School District received \$7.6 million through the State's foundation program, which represents 40.9 percent of the total revenue for the governmental activities. The School District relies heavily on this state funding to operate at the current levels of service.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2014		2013	
<i>Program Disbursements</i>				
Instruction	\$ 9,472,731	\$ 8,298,814	\$ 9,697,011	\$ 8,459,049
Support Services	6,134,495	6,099,606	5,509,122	5,447,591
Non-Instructional Services	587,107	25,771	724,883	158,346
Extracurricular Activities	390,125	143,442	427,743	81,968
Interest and Fiscal Charges	151,703	151,703	192,396	192,396
Total	\$ 16,736,161	\$ 14,719,336	\$ 16,551,155	\$ 14,339,350

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (UNAUDITED)

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$18.9 million exceeding expenditures and other financing uses of \$17.0 million. Total governmental funds fund balance increased by \$1.9 million.

The fund balance in the General Fund increased \$1.9 million during the fiscal year. This increase is the result of a management maintaining revenues and expenditures near prior year amounts.

The fund balance in the Bond Retirement Fund increased \$307,726 during the fiscal year. This increase represents the amount in which property tax and related intergovernmental receipts exceeded current year principal and interest payments.

The fund balance in the Permanent Improvement Fund decreased \$352,806 during the fiscal year. This decrease represents the amount in which current year permanent improvement outlays exceeded property tax and related intergovernmental receipts.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District amended its General Fund budget. The School District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

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

For the General Fund, final revenue budget was \$15.4 million, which was \$1.4 million more than the original revenue budget. This increase was primarily due to property tax revenue and intergovernmental revenues. For the General Fund, the final expenditure budget was \$13.7 million which was \$7.8 million less than the original expenditure budget. This decrease is due to the District being conservative at the beginning of the year for unknown costs. The General Fund unobligated balance as of June 30, 2014 was \$9.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year-end, the School District had \$11.0 million invested in capital assets, a decrease of \$148,563 in comparison with the prior fiscal year. This decrease represents the amount in which current year depreciation (\$717,350) exceeded capital outlays (\$568,787). More detailed information regarding the School District's capital assets can be found in note 8 to the basic financial statements.

WESTFALL LOCAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 (UNAUDITED)

Debt Administration

At June 30, 2014, the School District had \$3.8 million in general obligation debt outstanding, a decrease of \$376,657 in comparison with the prior fiscal year. This decrease represents the amount in which current year principal reduction payments (\$340,000) plus premium amortization (\$36,657). More detailed information regarding the School District's long term obligations can be found in note 13 to the basic financial statements.

CURRENT ISSUES

As indicated in the preceding financial information, the School District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning has permitted the School District to provide a quality education for our students.

As always, the administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 12,600,183
Restricted Cash and Cash Equivalents	908
Receivables:	
Property Taxes	7,793,478
Intergovernmental	52,340
Accounts	154,220
Materials and Supplies Inventory	10,268
Nondepreciable Capital Assets	105,604
Depreciable Capital Assets, Net	10,918,853
Total Assets	31,635,854
Liabilities	
Accounts Payable	286,639
Accrued Wages and Benefits Payable	1,235,825
Intergovernmental Payable	301,150
Accrued Interest Payable	13,408
Long-Term Liabilities	
Due within One Year	480,494
Due in More Than One Year	4,842,322
Total Liabilities	7,159,838
Deferred Inflows of Resources	
Property Taxes	7,066,293
Total Deferred Inflows of Resources	7,066,293
Net Position	
Net Investment in Capital Assets	6,353,695
Restricted for:	
Capital Outlay	598,015
Debt Service	1,470,912
Classroom Facilities and Maintenance	545,539
Food Services	132,271
District Managed Student Activities	57,856
Other Purposes	4,725
Unrestricted	8,246,710
Total Net Position	\$ 17,409,723

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction				
Regular	\$ 6,555,548	\$ 264,838	\$ 84,607	\$ (6,206,103)
Special	2,227,575	99,892	644,581	(1,483,102)
Vocational	51,583	2,269	-	(49,314)
Other	638,025	28,066	49,664	(560,295)
Support Services				
Pupils	259,442	-	-	(259,442)
Instructional Staff	1,427,615	-	9,786	(1,417,829)
Board of Education	155,676	-	-	(155,676)
Administration	825,987	-	-	(825,987)
Fiscal	570,143	-	609	(569,534)
Business	108,025	-	-	(108,025)
Operation and Maintenance of Plant	1,460,335	-	21,794	(1,438,541)
Pupil Transportation	1,114,808	-	-	(1,114,808)
Central	212,464	-	2,700	(209,764)
Non-Instructional Services	587,107	202,929	358,407	(25,771)
Extracurricular Activities	390,125	231,245	15,438	(143,442)
Interest and Fiscal Charges	151,703	-	-	(151,703)
Total Governmental Activities	\$ 16,736,161	\$ 829,239	\$ 1,187,586	(14,719,336)
General Revenues				
Property Taxes Levied for:				
General Purposes				6,168,615
Debt Service				796,363
Permanent Improvement				834,463
Classroom Facilities				108,813
Payments in Lieu of Taxes				5,488
Grants & Entitlements not Restricted to Specific Programs				8,404,461
Investment Earnings				51,412
Miscellaneous				299,322
Total General Revenues				16,668,937
Change in Net Position				1,949,601
Net Position - Beginning of Year, Restated				15,460,122
Net Position - End of Year				\$ 17,409,723

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Pooled Cash and Cash Equivalents	\$ 9,699,574	\$ 1,403,943	\$ 740,988	\$ 755,678	\$ 12,600,183
Receivables:		-			
Property Taxes	6,231,740	843,734	615,244	102,760	7,793,478
Intergovernmental	-	-	-	52,340	52,340
Accounts	154,220	-	-	-	154,220
Interfund	49,138	-	-	-	49,138
Materials and Supplies Inventory	-	-	-	10,268	10,268
Restricted Assets:					
Pooled Cash and Cash Equivalents	908	-	-	-	908
Total Assets	<u>\$ 16,135,580</u>	<u>\$ 2,247,677</u>	<u>\$ 1,356,232</u>	<u>\$ 921,046</u>	<u>\$ 20,660,535</u>
Liabilities:					
Accounts Payable	\$ 46,203	\$ -	\$ 213,385	\$ 27,051	\$ 286,639
Accrued Wages and Benefits Payable	1,198,092	-	-	37,733	1,235,825
Intergovernmental Payable	287,671	-	-	13,479	301,150
Interfund Payable	-	-	-	49,138	49,138
Total Liabilities	<u>1,531,966</u>	<u>-</u>	<u>213,385</u>	<u>127,401</u>	<u>1,872,752</u>
Deferred Inflows of Resources					
Property Taxes	5,665,007	763,357	544,832	93,097	7,066,293
Unavailable Revenue	321,609	22,663	16,526	18,244	379,042
Total Deferred Inflows of Resources	<u>5,986,616</u>	<u>786,020</u>	<u>561,358</u>	<u>111,341</u>	<u>7,445,335</u>
Fund Balances:					
Restricted for:					
Debt Service	-	1,461,657	-	-	1,461,657
Permanent Improvement	-	-	581,489	-	581,489
Food Service	-	-	-	132,271	132,271
Special Trust	-	-	-	108	108
Other Local Grants	-	-	-	398	398
Education Foundation	-	-	-	1,178	1,178
School Improvement	-	-	-	249	249
Classroom Facilities	-	-	-	542,779	542,779
Extracurricular Activities	-	-	-	57,856	57,856
State and Federal Grants	908	-	-	2,792	3,700
Committed for:					
Termination Benefits	58,717	-	-	-	58,717
Assigned for:					
Public School Support	41,015	-	-	-	41,015
Instruction	1,547	-	-	-	1,547
Support Services	102,008	-	-	-	102,008
Unassigned:	8,412,803	-	-	(55,327)	8,357,476
Total Fund Balances	<u>8,616,998</u>	<u>1,461,657</u>	<u>581,489</u>	<u>682,304</u>	<u>11,342,448</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,135,580</u>	<u>\$ 2,247,677</u>	<u>\$ 1,356,232</u>	<u>\$ 921,046</u>	<u>\$ 20,660,535</u>

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2014

Total Governmental Fund Balances \$ 11,342,448

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,024,457

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

Delinquent Property Tax Receivables	209,338
Intergovernmental Receivables	15,484
Accounts Receivables	154,220

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

Bonds Payable	(3,840,000)
Unamortized Issuance Premiums	(329,921)
Accrued Interest Payable	(13,408)
Capital Leases Payable	(500,841)
Compensated Absence Payable	(652,054)
	<u>(5,336,224)</u>

Net Position of Governmental Activities \$ 17,409,723

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 6,192,624	\$ 799,347	\$ 843,453	\$ 109,769	\$ 7,945,193
Payments in Lieu of Taxes	5,355	54	70	9	5,488
Intergovernmental	8,260,555	74,656	69,250	1,168,192	9,572,653
Investment Earnings	51,412	-	-	-	51,412
Tuition and Fees	394,566	-	-	-	394,566
Extracurricular Activities	70,357	-	-	160,888	231,245
Contributions and Donations	16,518	-	-	15,438	31,956
Customer Sales and Services	-	-	-	202,929	202,929
Miscellaneous	289,196	-	-	41	289,237
Total Revenues	<u>15,280,583</u>	<u>874,057</u>	<u>912,773</u>	<u>1,657,266</u>	<u>18,724,679</u>
Expenditures:					
Instruction:					
Regular	5,658,266	-	419,939	63,038	6,141,243
Special	1,532,852	-	7,152	676,272	2,216,276
Vocational	51,583	-	-	-	51,583
Other	583,216	-	-	54,809	638,025
Support services:					
Pupils	259,442	-	-	-	259,442
Instructional Staff	1,226,334	-	153,390	30,048	1,409,772
Board of Education	155,676	-	-	-	155,676
Administration	811,180	-	2,465	-	813,645
Fiscal	521,303	17,131	24,060	2,349	564,843
Business	-	-	108,025	-	108,025
Operation and Maintenance of Plant	1,127,620	-	113,430	84,109	1,325,159
Pupil Transportation	1,043,722	-	187,138	-	1,230,860
Central	175,996	-	30,809	2,700	209,505
Non-Instructional Services	10,318	-	1,396	558,985	570,699
Extracurricular Activities	173,337	-	-	212,437	385,774
Capital Outlay	155,125	-	207,914	1,211	364,250
Debt service:					
Principal Retirement	-	362,000	7,284	-	369,284
Interest and Fiscal Charges	-	187,200	2,577	-	189,777
Total Expenditures	<u>13,485,970</u>	<u>566,331</u>	<u>1,265,579</u>	<u>1,685,958</u>	<u>17,003,838</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,794,613</u>	<u>307,726</u>	<u>(352,806)</u>	<u>(28,692)</u>	<u>1,720,841</u>
Other Financing Sources (Uses):					
Sale of Assets	869	-	-	-	869
Inception of Capital Lease	155,125	-	-	-	155,125
Transfers In	-	-	-	18,443	18,443
Transfers Out	(18,443)	-	-	-	(18,443)
Total Other Financing Sources (Uses)	<u>137,551</u>	<u>-</u>	<u>-</u>	<u>18,443</u>	<u>155,994</u>
Net Change in Fund Balances	1,932,164	307,726	(352,806)	(10,249)	1,876,835
Fund Balances - Beginning	6,684,834	1,153,931	934,295	692,553	9,465,613
Fund Balances - Ending	<u>\$ 8,616,998</u>	<u>\$ 1,461,657</u>	<u>\$ 581,489</u>	<u>\$ 682,304</u>	<u>\$ 11,342,448</u>

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ 1,876,835**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Depreciation Expense	(717,350)
Capital Outlay	568,787

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(39,786)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Principal Repayments	340,000
Capital Lease Principal Repayments	29,284
Amortization of Bond Issuance Premiums	36,657
Inception of Capital Lease	(155,125)

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

Compensated Absences	8,882
Accrued Interest	1,417

Change in Net Position of Governmental Activities	\$ 1,949,601
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**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance Over/(Under)
Revenues:				
Property Taxes	\$ 5,758,380	\$ 6,308,718	\$ 6,308,718	\$ -
Payments in Lieu of Taxes	4,888	5,355	5,355	-
Intergovernmental	7,539,950	8,260,555	8,260,555	-
Investment Earnings	46,927	51,412	51,412	-
Tuition and Fees	360,146	394,566	394,566	-
Extracurricular Activities	31,108	34,081	34,081	-
Contributions and Donations	685	750	750	-
Miscellaneous	263,550	288,738	288,738	-
Total Revenues	<u>14,005,634</u>	<u>15,344,175</u>	<u>15,344,175</u>	<u>-</u>
Expenditures:				
Instruction:				
Regular	9,136,733	5,799,128	5,799,128	-
Special	2,389,183	1,501,482	1,501,482	-
Vocational	76,755	48,734	48,734	-
Other	918,635	583,268	583,268	-
Support services:				
Pupils	422,137	267,903	267,903	-
Instructional Staff	1,914,708	1,213,806	1,213,806	-
Board of Education	298,989	189,306	189,306	-
Administration	1,317,919	832,146	832,146	-
Fiscal	847,168	536,155	536,155	-
Operation and Maintenance of Plant	1,815,939	1,143,586	1,143,586	-
Pupil Transportation	1,823,519	1,154,227	1,154,227	-
Central	289,572	183,858	183,858	-
Extracurricular Activities	270,632	171,832	171,832	-
Total Expenditures	<u>21,521,889</u>	<u>13,625,431</u>	<u>13,625,431</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(7,516,255)</u>	<u>1,718,744</u>	<u>1,718,744</u>	<u>-</u>
Other Financing Sources (Uses):				
Sale of Assets	793	869	869	-
Transfers Out	-	(102,160)	(102,160)	-
Advances In	-	10,025	10,025	-
Advances Out	-	-	(49,138)	(49,138)
Total Other Financing Sources (Uses)	<u>793</u>	<u>(91,266)</u>	<u>(140,404)</u>	<u>(49,138)</u>
Net Change in Fund Balance	<u>(7,515,462)</u>	<u>1,627,478</u>	<u>1,578,340</u>	<u>(49,138)</u>
Fund Balances at Beginning of Year	7,453,336	7,453,336	7,453,336	-
Prior Year Encumbrances Appropriated	62,126	62,126	62,126	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 9,142,940</u>	<u>\$ 9,093,802</u>	<u>\$ (49,138)</u>

See accompanying notes to the basic financial statements.

**WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2014

	<u>Agency Fund</u>
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 50,452
Total Current Assets	<u>50,452</u>
Total Assets	<u><u>\$ 50,452</u></u>
Liabilities	
Current Liabilities:	
Due to Students	\$ 38,333
Accounts Payable	12,119
Total Current Liabilities	<u>50,452</u>
Total Liabilities	<u><u>\$ 50,452</u></u>

See accompanying notes to the basic financial statements.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. It is staffed by 65 non-certificated employees, and 118 certified employees who provide services to 1,580 students.

Reporting Entity:

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

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

The School District is associated with one jointly governed organization, the South Central Ohio Computer Association Council of Governments (SCOCACoG). The School District is also associated with two insurance purchasing pools: CompManagement Worker's Compensation Group Rating Plan (GRP) and the Pickaway County Public Employee Benefit Program. These organizations are presented in Notes 16 and 18 to the basic financial statements.

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

- Boosters Clubs
- Parent-Teacher Organizations

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

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

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

General Fund

This fund is the operating fund of the School District and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund

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

Permanent Improvement Fund

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

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

Proprietary Funds

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

Fiduciary Funds

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Revenues- Exchange and Non-Exchange Transactions

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditure) until then. The District currently has no deferred outflows of resources.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes delinquent property taxes, intergovernmental revenues and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements.

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

During the fiscal year 2014, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price investments could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$51,412.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets in the general fund represent cash and cash equivalents restricted for school bus purchases. These restricted assets are required due to restrictions placed on the monies by the State of Ohio.

G. Inventory

All inventories are valued at cost and donated commodities are presented at their entitlement value using the first in, first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At fiscal year-end, inventory consists of donated food and purchased food and supplies held for resale.

H. Capital Assets

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Liabilities

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

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

L. Net Position

Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted for other purposes are primarily from federal and state grants reported in the Special Revenue Funds. The School District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Fund Balance Reserves

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

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

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

N. Interfund Transactions

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

O. Estimates

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

P. Budgetary Process

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the first permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2014.

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

NOTE 3 – ACCOUNTABILITY

The following funds had a deficit in their fund balance as of June 30, 2014:

<u>Nonmajor Special Revenue Funds:</u>	<u>Amount</u>
Title I	\$ 45,231
Improving Teacher Quality	10,096

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budgetary basis) rather than as an assignment of fund balance (GAAP basis).
4. Certain funds that are legally budgeted in separate special revenue funds are reported as part of the General Fund on the GAAP basis are not included on the budgetary basis, including the public school support fund, termination benefits fund and workers compensation and health insurance funds.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$1,932,164
<i>Adjustments:</i>	
Revenue Accruals	116,094
Expenditure Accruals	252,633
Other Financing Sources/Uses	(219,238)
Encumbrances	(149,758)
 Prospective Difference	
Activity of Funds Reclassified for GAAP Reporting Purposes	(353,555)
Budget Basis	<u>\$1,578,340</u>

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the District’s deposits was \$11,547,639 and the bank balance was \$11,558,217. Of the District’s bank balance, \$270,000 was covered by the Federal Depository Insurance Corporation (FDIC). The District has no formal policy concerning custodial credit risk.

Investments At June 30, 2014, the School District had the following investments and maturities:

Investment Type	Fair Value	6 Months or Less
STAROhio	\$ 1,103,904	\$ 1,103,904
Total	<u>\$ 1,103,904</u>	<u>\$ 1,103,904</u>

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with the investment policy, the School District limits its investments to STAR Ohio and repurchase agreements as described in Ohio Revised Code Section 135.143A(2). Investments in STAR Ohio were rated ‘AAAm’ by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by a least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

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

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty- five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Tangible personal property tax revenue received during calendar year 2014 (other than public utility property tax) represents the collection of 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2014 were levied after April 1, 2013, on the value as of December 31, 2013. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Pickaway County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the June 2014 personal property tax settlement, delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which become measurable as of June 30, 2014. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The total amount available as an advance at June 30, 2014 was \$517,847 and is recognized as revenue. Of this total amount, \$399,344 was available to the General Fund, \$57,714 was available to the Bond Retirement Fund, \$53,886 was available to the Permanent Improvement Capital Projects Fund and \$6,903 was available to the Classroom Facilities Maintenance Projects Fund.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 First- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 203,631,940	67.90%	\$ 203,898,580	68.95%
Public Utility Personal	96,267,840	32.10%	91,817,610	31.05%
Total Assessed Value	<u>\$ 299,899,780</u>	<u>100.00%</u>	<u>\$ 295,716,190</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 34.45		\$ 34.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, interfund, accounts, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

<i>Nonmajor Special Revenue Funds:</i>	
Food Service	\$ 36,856
Title I	5,388
Improving Teacher Quality	10,096
Total Nonmajor Special Revenue Funds	<u>52,340</u>
Total Intergovernmental Receivable	<u>\$ 52,340</u>

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	Restated*** Ending Balance 6/30/2013	Additions	Deletions/ Transfers	Ending Balance 6/30/2014
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 105,604	\$ -	\$ -	\$ 105,604
Total Capital Assets, Not Being Depreciated	<u>105,604</u>	<u>-</u>	<u>-</u>	<u>105,604</u>
Capital Assets Being Depreciated				
Land Improvements	2,414,025	24,744	-	2,438,769
Buildings and Improvements	16,716,163	97,315	-	16,813,478
Furniture, Fixtures and Equipment	1,058,148	260,498	-	1,318,646
Vehicles	1,382,159	186,230	-	1,568,389
Library Books and Text Books	892,299	-	-	892,299
Total Capital Assets, Being Depreciated	<u>22,462,794</u>	<u>568,787</u>	<u>-</u>	<u>23,031,581</u>
Less Accumulated Depreciation:				
Land Improvements	(1,391,786)	(96,366)	-	(1,488,152)
Buildings and Improvements	(7,304,650)	(481,607)	-	(7,786,257)
Furniture, Fixtures and Equipment	(663,750)	(76,765)	-	(740,515)
Vehicles	(1,142,893)	(62,612)	-	(1,205,505)
Library Books and Text Books	(892,299)	-	-	(892,299)
Total Accumulated Depreciation	<u>(11,395,378)</u>	<u>(717,350)</u>	<u>-</u>	<u>(12,112,728)</u>
Total Capital Assets Being Depreciated, Net	<u>11,067,416</u>	<u>(148,563)</u>	<u>-</u>	<u>10,918,853</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,173,020</u>	<u>\$ (148,563)</u>	<u>\$ -</u>	<u>\$ 11,024,457</u>

*** Beginning Balance was restated by \$411,116 due to a re-evaluation of capital assets.

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 566,346
Special	390
Support Services:	
Instructional Staff	10,237
Administration	2,924
Operation and Maintenance	57,735
Pupil Transportation	63,242
Operation of Non-Instructional Services	12,125
Extracurricular Activities	4,351
Total Depreciation Expense	<u>717,350</u>

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2014, the School District contracted with Neil Coleman Insurance for professional and general liability insurance, fleet insurance and property insurance. Insurance coverages provided are as follows:

Building and Contents replacement cost (\$2,500)	\$50,638,345
Musical Instruments (\$1,000 deductible)	100,000
Automobile Liability (\$1,000 deductible)	1,000,000
General Liability:	
Per Occurrence (\$0 deductible)	1,000,000
Aggregate Limit	2,000,000
Public Officials Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	20,000

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

For fiscal year 2014, the School District participated in the CompManagement Worker’s Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria.

Effective July 1, 2009, the School District began offering health care and prescription drug benefits to employees through the Pickaway County Public Employees Benefits Program, which is more fully described in Note 18. The health care coverage is administered by United Healthcare, a third party administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2014, 2013 and 2012 were \$246,005, \$249,481, and \$229,691, respectively; 76 percent of the required contribution has been made for fiscal year 2014 and 100 percent of the required contribution has been made for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

B. State Teachers Retirement System

Plan Description – The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers.

The District's required contributions for pension obligation to STRS Ohio for the fiscal year ended June 30, 2014, 2013 and 2012 were \$807,882, \$791,499, and \$805,287, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. The District's unpaid contribution for fiscal year 2014 has been recorded as a liability in the appropriate funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2014, none of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Postemployment Benefits – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two cost-sharing, multiple employer postemployment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The District's contributions for the years ended June 30, 2014, 2013 and 2012 were \$14,272, \$14,093, and \$14,490, respectively, 76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care, including the surcharge, for the years ended June 30, 2014, 2013, and 2012 were \$34,542, \$34,807, and \$34,895, respectively, 76 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description - The District contributes to the cost-sharing, multiple employer postemployment benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing 275 E. Broad St., Columbus, OH 43215-3371, by calling 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$62,145, \$60,885, and \$61,129, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

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

Health, Prescription Drug and Dental Insurance

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/2013	Additions	Deductions	Principal Outstanding 6/30/2014	Due in One Year
<i>General Obligation Bonds:</i>					
2005 Refunding, 3.00 - 4.1% Serial Bonds	4,180,000	-	340,000	3,840,000	355,000
Total Long-Term Bonds	4,180,000	-	340,000	3,840,000	355,000
Premium on Refunding Bonds	366,578	-	36,657	329,921	-
Capital Leases	375,000	155,125	29,284	500,841	48,464
Compensated Absences	660,936	99,178	108,060	652,054	77,030
Total Long-Term Obligations	<u>\$ 5,582,514</u>	<u>\$ 254,303</u>	<u>\$ 514,001</u>	<u>\$ 5,322,816</u>	<u>\$ 480,494</u>

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

The District has defeased the 2000 bond issue by creating a separate irrevocable trust fund. For financial reporting purposes, the 2000 series bonds has been considered defeased and therefore removed as a liability from the District's financial statements. As of June 30, 2014 the amount of defeased debt outstanding was \$0.

The serial bonds and capital appreciation bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity. Two of the capital appreciation bonds matured in fiscal years 2011 and 2012 and the last one matured in 2013. The maturity amount of the final bond was \$345,000 and was paid in fiscal year 2013.

The capital leases are being paid from the Bond Retirement Fund and Permanent Improvement Fund. Compensated absences are being paid from the fund from which the employee is paid, with the General Fund being the most significant.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30	2005 Serial Bonds Principal	2005 Serial Bonds Interest	Total Payments
2015	\$ 355,000	\$ 160,900	\$ 515,900
2016	375,000	143,150	518,150
2017	395,000	124,400	519,400
2018	410,000	108,600	518,600
2019	425,000	92,200	517,200
2020-2023	1,880,000	191,400	2,071,400
	<u>\$ 3,840,000</u>	<u>\$ 820,650</u>	<u>\$ 4,660,650</u>

The Ohio Revised Code provides that voted net obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The effects of these debt limitations at June 30, 2014, are voted debt margin of \$26,614,457 and an unvoted debt margin of \$295,716.

NOTE 14 – CAPITAL LEASES

The School District has entered into agreements to lease fitness equipment, copiers, and to replace a roof. These leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the governmental funds. The capital leased assets have been capitalized in the amount of \$979,043 in governmental activities, which represents the present value of the minimum lease payments at the time of acquisition. Principal payments in 2014 were \$29,284 in the governmental funds.

The School District’s future minimum lease payments and present value of net minimum lease payments required under these capital lease obligations as of June 30, 2014 are as follows:

Year Ended December 31,	Capital Lease Payments
2015	\$ 78,462
2016	78,360
2017	78,210
2018	78,014
2018	67,911
2020-2024	190,951
2025-2026	76,448
Total Future Minimum Lease Payments	<u>648,356</u>
Less: Amount Representing Interest	<u>(147,515)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 500,841</u>

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 – INTERFUND ACTIVITY

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

Fund	Receivable	Payable
General Fund	\$ 49,138	\$ -
Other Governmental Funds		
Title I	-	42,420
Title II-A	-	6,718
Totals	<u>\$ 49,138</u>	<u>\$ 49,138</u>

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

During fiscal year ended June 30, 2014, the School District’s interfund transfers were as follows:

Fund	Transfers To	Transfers From
General Fund	\$ -	\$ 18,443
<i>Nonmajor Fund:</i>		
District Managed Student Activities	18,443	-
Total	<u>\$ 18,443</u>	<u>\$ 18,443</u>

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATION

SCOCACoG - The School District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCACoG) which is a computer consortium formerly known as South Central Ohio Computer Association (SCOCA). SCOCACoG is a council of governments providing computer services to its members of public school districts within the boundaries of Highland, Adams, Pickaway, Gallia, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCACoG consists of two representatives from each county in the SCOCACoG service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCACoG \$84,547 for services provided during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Career and Technology Center, P.O. Box 577, 175 Beaver Creek., Piketon, Ohio, 45661.

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 – STATUTORY SET-ASIDES

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

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

	Capital Acquisition
Set-Aside Reserve Balance as of June 30, 2013	\$ -
Current Year Set-Aside Requirement	265,366
Current Year Offsets	(265,366)
Current Year Qualifying Disbursements	-
Totals	-
Set-Aside Reserve Balance as of June 30, 2014	\$ -

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

In addition, the District receives monies from the State of Ohio that are restricted for school bus purchases. At fiscal year-end, the District has \$908 in cash and cash equivalents that are restricted for school bus purchases.

NOTE 18 – INSURANCE PURCHASING POOLS

CompManagement Worker’s Compensation Group Rating Plan

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

Pickaway County Public Employee Benefit Program

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

WESTFALL LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 19 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

NOTE 20 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year ending June 30, 2014, the School District has implemented the following:

GASB Statement No. 66 “Technical Corrections – 2012 - an Amendment of GASB Statements No. 10 and No. 62” resolves conflicting guidance that results from the issuance of GASB Statements No. 54 and No. 62. This Statement also amends GASB Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This Statement also amends GASB Statement No. 62 to clarify how to apply GASB Statement No. 13 and results in guidance that is consistent with GASB Statement No. 48. The implementation of this statement did not have an effect on the financial statements of the School District.

GASB Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees” enhances comparability of financial statements by requiring consistent reporting by those governmental entities that extend nonexchange financial guarantees and by those governmental entities that receive nonexchange financial guarantees. The implementation of this statement did not have an effect on the financial statements of the School District.

NOTE 21 – RESTATEMENT OF BEGINNING BALANCES

During fiscal year 2014, the School District had a capital asset valuation performed. The effect of this capital asset valuation on beginning net position is as follows:

Net Position - June 30, 2013	\$ 15,049,006
Effect of Capital Asset Valuation	<u>411,116</u>
Net Position - July 1, 2013	<u>\$ 15,460,122</u>

SUPPLEMENTARY DATA

WESTFALL LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(E) PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Nutrition Grant Cluster:				
(C) (D) School Breakfast Program	10.553	2014	\$ 79,546	\$ 79,546
(C) (D) National School Lunch Program	10.555	2014	234,590	234,590
(B) (C) National School Lunch Program - Food Donation	10.555	2014	38,299	38,299
Total National School Lunch Program			272,889	272,889
Total U.S. Department of Agriculture and Nutrition Grant Cluster			352,435	352,435
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title 1 Grants to Local Educational Agencies	84.010	2013	58,050	54,681
Title 1 Grants to Local Educational Agencies	84.010	2014	358,069	400,489
Total Title 1 Grants to Local Educational Agencies			416,119	455,170
Special Education Grant Cluster:				
(F) Special Education Grants to States	84.027	2014	322,625	322,625
(F) Special Education_Preschool Grants	84.173	2014	16,140	16,140
Total Special Education Grant Cluster			338,765	338,765
Improving Teacher Quality State Grants	84.367	2013	11,174	8,635
Improving Teacher Quality State Grants	84.367	2014	58,743	65,462
Total Improving Teacher Quality State Grants			69,917	74,097
ARRA - Race to the Top Incentive Grant	84.395	2014	4,550	4,550
Total U.S. Department of Education			829,351	872,582
Total Federal Financial Assistance			\$ 1,181,786	\$ 1,225,017

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule was prepared on the cash basis of accounting.
- (B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (C) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) OAKS did not assign pass-through number for fiscal year 2014.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Westfall Local School District, Pickaway County, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Westfall Local School District's basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

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

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

Board of Education
Westfall Local School District

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 17, 2014



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Westfall Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Westfall Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Westfall Local School District's major federal programs.

Management's Responsibility

The Westfall Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Westfall Local School District's compliance for each of the Westfall Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Westfall Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Westfall Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

Board of Education
Westfall Local School District

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 17, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Nutrition Cluster: CFDA #10.553 School Breakfast Program and CFDA #10.555 National School Lunch Program; CFDA #84.010 Title I Grants to States; and Special Education Cluster: CFDA #84.027 Special Education Grants to States and CFDA #84.173 Special Education Preschool Grants
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

2. FINDING RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-001	<u>Material Weakness - Financial Reporting</u> - The District did not have an effective control process established over the financial activity recorded on the District's ledgers or reported on its financial report, including financial statements, footnotes, and required supplementary information. There were not effective monitoring controls in place which would enable those charged with governance and management to facilitate sound fiscal governance.	Yes	N/A
2013-002	<u>Material Noncompliance</u> - The District's Schedule of Receipts and Expenditures of Federal Awards had several adjustments made in fiscal year 2013.	Yes	N/A
2013-003	<u>Material Noncompliance/Material Weakness/Questioned Cost</u> - 2 C.F.R. Part 225, Appendix A Section C3 states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost object in accordance with relative benefits received. Further, 2 C.F.R. Part 225, Appendix A Section C1 lists the factors affecting allowability of costs. To be allowable under Federal awards, costs must be adequately documented and not be included as a cost or used to meet cost sharing or matching requirements of any other federal award in either the current or a prior period.	Yes	N/A

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-004	<p><u>Noncompliance/Material Weakness</u> - 7 C.F.R. 245.6a(a) provides, in part, that to qualify a child for meals/milk served free or at reduced price under the program(s), the child's family must annually submit an application to the School Food Authority, in this case the District. The application must be approved and maintained on file. There was one instance where the eligibility determination was not in accordance with the guideline published by FNS. This issue was due to inputting the incorrect information into eligibility determination computer system.</p>	Yes	N/A
2013-005	<p><u>Noncompliance/Material Weakness</u> - 2 C.F.R. Part 225, Appendix B subsection 8.h. provides, in part, that salaries and wages shall be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official of the government unit. In fiscal year 2013, employees paid from the Special Education Clusters were paid solely from the grant. However, the District did not complete and maintain semi-annual certifications for these employees stating that they worked solely on the grant. These expenditures were determined to be allowable per the grant agreement based on the employee's position within the District.</p>	Yes	N/A



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board did amend its anti-harassment policy on March 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus".

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
December 17, 2014



Dave Yost • Auditor of State

WESTFALL LOCAL SCHOOL DISTRICT

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2015**